

# IN THE SENATE OF THE UNITED STATES.

JUNE 29, 1864.—Ordered to be printed.

July 4, 1864.—Ordered, That 3,000 additional copies be printed—2,500 copies for the use of the Senate, and 500 copies for the use of the Navy Department.

Mr. HALE, from the Select Committee on Naval Supplies, made the following

# REPORT.

[To accompany bill S. No. 342.]

The Select Committee on Naval Supplies, having had the subject under consideration, ask leave to report:

That upon entering on the discharge of the duties assigned them, they notified the Secretary of the Navy of the nature of their duties and invited his co-operation with them in ferreting out frauds, if any existed in his department, and inviting him to be present at any of their meetings which he might desire to attend; and it affords the committee pleasure to be able to state that their communication was received by the Secretary in that spirit of frankness with which it was made, and that every facility in his power was extended to the committee by the Secretary to aid them in their investigations; and although they are fully aware that the honorable Secretary needs no indorsement at their hands, yet they feel that simple justice requires them to say that, in all their investigations, they discovered nothing to cast a suspicion even upon his uprightness as a man and his integrity as an officer. As public attention was first called to this subject directly by the publication of a series of papers concerning the purchase of naval supplies, with an analysis of certain navy contracts by a mercantile house in Boston, viz: Smith, Brothers & Co., and as the matter then presented was deemed of sufficient importance by the Secretary of the Navy to submit the same to certain heads of bureaus in the Navy Department, and they severally made answer thereto, the committee have decided to report the pamphlet before referred to, the answers of the chiefs of bureaus, and the rejoinder of Smith, Brothers & Co. thereto, together with the evidence taken in the case, leaving the Senate to form such conclusion therefrom as the facts and allegations therein shall justify.

The committee will now present to the Senate certain statements of facts which they think the evidence by them taken will justify. They have confined themselves in their examination to recent occurrences, thinking that the latest transactions will afford the best evidence of the present state of affairs, and show most clearly what are the evils for which remedies should be sought.

In the first place, then, your committee start with the announcement that the investigations which they have made satisfy them beyond a doubt that, in the

matter of naval supplies last year, the government has been grossly defrauded by having to pay most exorbitant and enormous prices for very many of the articles procured by contract with the heads of several of the bureaus. They will submit a few of the more gross and palpable instances in support of this assertion, and suggest some of the means by which these frauds have been, or

many have been, perpetrated. By the law and practice as existing before the modifications made in pursuance of the legislation of the last session of the last Congress, "provisions and clothing, hemp, and other materials of every name and nature, for the use of the navy, and the transportation thereof, when time will admit, shall hereafter be furnished by contract with the lowest bidder, as follows: the Secretary of the Navy shall advertise once a week, for at least four weeks, in one or more of the principal papers published in the place where such articles are to be furnished, for sealed proposals for furnishing such articles, or the whole of any particular class of articles; specifying in such advertisement the amount, quantity, and description of each kind of articles to be furnished; and all such proposals shall be kept sealed until the day specified in such advertisement for opening the same, when they shall be opened by or under the direction of the officer making such advertisement, in the presence of at least two persons. And the person offering to furnish any class of such articles, and giving satisfactory security for the performance thereof, under a forfeiture not exceeding twice the contract price in case of failure, shall receive a contract for furnishing the same; and in case the lowest bidder shall fail to enter into such contract and give such security within a reasonable time, to be fixed in such advertisement, then the contract shall be given to the next lowest bidder, who shall enter into such contract and give such security."

This was substantially the law as passed March 3, 1843, with various modifications and amendments from time to time, leaving unaltered the main features thereof, so far as the form and mode of advertising were concerned, until the 3d of March, 1863, when some important alterations were made, which will be

hereafter noticed.

Under this law, persons proposing to bid for any class of articles advertised for were referred to the several navy agents and chief of bureaus to ascertain what was the kind of article wanted, when the advertisement did not give that specific information. For instance, "hydraulic jacks" are advertised for without any further specification. Now, the person who would bid understandingly for that article was under the necessity of going to the yard where they were to be furnished, to ascertain what was the precise article which he was expect-

ed to supply under his bid.

The Navy Department, under the law existing prior to the legislation of the last Congress, claimed and exercised the right of exacting from a contractor the supply of a greater amount of the article called for, and did not consider itself bound by the quantity specified in the advertisement and contracted for. After all the modifications and alterations of this law, prior to the act of March 3, 1863, it still retained many objectionable provisions, some of which were removed by that act. The advertisement being for a class, and the whole class being accepted or rejected as a whole, and he being accounted the lowest bidder whose aggregate amount for the whole was the least, a bidder, by ascertaining what particular item would be required only in small quantities, and what articles would be wanted in the greatest quantity, was enabled, by putting the former at a very low figure, much below the real value or market price, to put a very high figure on those articles of which a large quantity would probably be required, and thus secure the contract by this mode of bidding, to the exclusion of one who bid a fair and honest price for each article, although the latter would, in fact, be most advantageous to the government.

An explanation has been attempted in the case of some of the extraordinary

contracts which will be noticed hereafter; but, in the opinion of your commit-

tee, the explanation is not satisfactory.

As plain facts are much more convincing than theory or speculation, however ingenious, your committee will proceed to lay before the Senate the particulars of one contract, and, having noticed that, will leave the Senate to draw such conclusions as they believe are inevitable from the premises.

April 7, 1863, the Navy Department, under the advertisement of the Bureau of Steam Engineering, contracted with Joseph L. Savage, of New York, for a

"class of miscellaneous tools for engineers," at the following prices, viz:

2,000 lbs. of cotton-wiping waste, 80 cts. per pound,	\$1,600fair market value 40 cents per pound.		
3 anvils, about 200 pounds, \$50 each	150do \$30 00 each	90	00 .
18 chopping axes, handled, \$3 each	54do 1 25 each	22	504
12 small axes, \$1 50 each	18do 75' each	9	00
6 calipers, \$2 each	12do 50 each	3	00
6 dividers, \$2 each	12 do 75 each	4	50
4 grindstones, 150 pounds, \$30 each	120do 4 50 each		00
6 hydraulic jacks, \$290 each	1,740do 133 20 each		20
4 scale beams, \$50 each	200do 6 50 each		00
12 sieves, \$5 each	60do 1 38 each	16	56
50 scoop shovels, \$2 each	100do 95 each		50
6 steel squares, \$2 each	12do 75 each	4	50
6 iron squares, \$1 50 each	9do 23 each		38
4 doz. Coe's monkey wrenches, ass'd, \$150 per doz.	600do 15 00 per dozen	60	00
	1 607	1 000	14
·	4,687	1,902	14
·	+/ATTOMACHET		

Your committee have placed in a parallel column what, from the evidence, they believe to have been a high market value of the articles thus purchased, from which it will be seen that the government, under the operation of the law as administered by the Navy Department, since the modifications of the law by the last Congress, paid an advance of at least one hundred and fifty per cent. over and above the fair market price of the whole class, and on some of the articles—monkey wrenches for example—exceeding one thousand per cent.

That such a result could have been reached from an honest and faithful administration of the law your committee do not believe. There is fraud on the face of it, and they will proceed to state some of the circumstances which, in their opinion, are worthy of consideration in tracing it to its proper source.

For this class there were only three bidders—Henry D. Stover, Joseph L. Savage, and H. J. Collins; and although Savage's bid was thus enormously high, those of Stover and Collins were each higher. All three of these bidders were doing business in the city of New York. The place where the articles were to be delivered was Kittery, in the State of Maine. It struck your committee as exceedingly strange that three business men in New York, without consultation or conference among themselves, should have selected this place and this particular class of articles to bid for, and each of them should have concluded that ONE HUNDRED AND FIFTY per cent. above the market price was the lowest sum with which they would be satisfied. And, again, it appeared equally strange that this bid, with such fabulous and enormous prices, should have been accepted, and a contract in accordance therewith should have been Your committee believe that there was a conspiracy between these three bidders to defraud the government in this particular contract, and that it was carried into successful operation; and they would be glad to believe, if they could, that this fraud was thus successful without co-operation with some one in the department; but all the circumstances of this case lead the committee to a contrary conclusion. In the first place, it is the custom of these bureaus, as your committee are informed and believe, to indorse on the envelope the class and place of delivery bid for. Thus if no bid is received for any one class at a particular yard, it is in the power of those in the department to announce that fact to any friends they may wish to serve that such is the fact, and bids, at the last moment, may be put in at any price which the bidder is

impudent enough to demand. It may here be asked, Where the necessity, if such be the case, of putting in more than one bid? An answer to this inquiry is found in a statement made by Mr. Neally, late chief clerk of the Bureau of Steam Engineering, in which he says a bid is never rejected on account of too high price, when there is more than one bidder. Whatever may have been the purpose of establishing such a rule, there can be no doubt as to its direct and natural effect, which is to invite and encourage conspiracies to defraud the government. For while a single dishonest bidder may feel that if he bids alone, at an extravagant price, he is liable to be defeated in his purpose, by this arrangement he is assured that, if he associates others with him in his fraudulent

attempt, he multiplies his chances of successful villany.

This contract, as will be seen, was made on the 7th of April, 1863, and the amendment of the law, in regard to these bids, was only made on the 3d of March preceding; and assuming, as every one must, in the opinion of the committee, that this bid was fraudulent in its inception, it would hardly have suggested itself to any one not informed of the fact, that while a bid might be rejected because the price was too high when there was only a single bidder, such enormous bids as this, with prices one hundred and fifty per cent. above the market value, would be received, considered, and a contract made, provided the number of bidders exceeded one. Your committee can see no rational explanation of this extraordinary contract except this, viz: Savage, Stover, and Collins entered into a corrupt conspiracy to defraud the government, and were aided in this purpose by knowledge improperly obtained that there were no bidders for this class when their bids were put in, and that they further obtained knowledge in the same way that, no matter how high or enormous their prices, provided two or more entered into the arrangement, the lowest bid would be accepted. Mr. J. L. Savage, the contractor in this case, was before the committee; stated he was residing at Brooklyn, was a native of Washington, resided in Washington up to 1860, and still had a place of business in Washington; that he was not in company with C. W. Scofield, had no business connexion with him, but he had an office in his store, and a desk in the same room with him; that he knew nothing about Scofield's bids, had no consultation with him, and at the same time testifies that he had not interfered with classes which he bid for, and he had not bid for them. It does not occur to your committee how Savage should have refrained from bidding in competition with Scofield if, as he testified, he had no connexion or consultation with him, and that he and Collins and Scofield did not know of each other's bids. Collins, the other bidder, had a power of attorney to collect the payment for this contract of Savage; but it should be added that Mr. Savage testifies that he sold the contract to Collins.

The attention of the committee was also called to a bid in the Bureau of Yards and Docks, which is of so extraordinary a character that it seems to demand a passing notice. This is for class seven, ship-chandlery, at the New York navy yard. It was awarded to a Mr. Bingham, at \$17,778 23. C. W. Scofield was a bidder at \$18,053 90. The original footing of Scofield's bid was \$12,053 90; an error of \$1,000 was discovered in the bureau after the bid was handed in, so that it should have footed \$13,053 90, after the correction of this error. Without the correction of this error, this bid would have been five thousand seven hundred and twenty-four dollars and thirty-three cents below the next bid, Mr. Bingham's. Such being the state of these two bids as they were originally made, Mr. Scofield's bid is raised by the sum of five thousand dollars in one single article, and your committee do not find there was any other alteration made. This alteration of Scofield's bid, by which the aggregate was so largely increased, was effected by putting a unit to the left of the figures 65, which was the sum bid for hickory buts each, and there being five thousand of them wanted, the addition of a dollar apiece for them would make the amount

of five thousand dollars, and Scofield's bid would still have been the lowest, and he would have got the contract after this amount was thus added, had not an error been discovered in his original computation, which being subsequently corrected, and the five thousand dollars being added, made his bid higher than Mr. Bingham's, and he thus failed of realizing anything by this fraud.

This transaction appeared so remarkable, that after Admiral Smith had testified, his particular attention was called to this case, and the testimony of Mr. Bronaugh, his chief clerk, submitted to him for examination, and he sent to the

committee the following answer, viz:

"NAVY DEPARTMENT,
"Bureau of Yards and Docks, April 2, 1864.

"SIR: I have examined the testimony of Mr. Bronaugh, and the original bids for class T—ship-chandlery for ordnance department at the New York navy yard. It is evident to me that the original price charged in Scofield's bid for the hickory buts was sixty-five cents, and the aggregate was carried out accordingly; that the figure 1 in the column of dollars was added subsequently, but the aggregate was not altered. It is also evident to me that the alteration in price, the aggregate of the class as written in words, and Scofield's signature, were all written by the same hand and with the same ink, and I am perfectly satisfied that this was all done before the bid came to this office.

"It is also evident to me that the alteration in the price and the error in the footing were intended to deceive the bureau, and thereby obtain the contract at the prices stated, and that this attempt at deception was frustrated by the vigilance of the clerks who examined the schedule of offers. It is further clear to me that the clerks who examined the bids could have made no change with a view to give the contract to Scofield, because, if such had been the intention, alterations would have been made to accomplish the object; whereas, by the

discovery of the errors, Scofield failed to obtain the contract.

"In the examination of bids it is often found that original prices have been altered by the bidders themselves before sealing and handing in their bids; and this may be done without any intention on their part to deceive. The bureau advertises four weeks, and the bidder may prepare his offer on the first appearance of the advertisement and retain it in his possession until a few days before the expiration of the time. It would be very natural for him in such case to revise his bid before sending it in, for, in these times particularly, a few days may make an important change in the price of many articles, and the bidder certainly has the right to make any corrections or alterations in his offers before sealing and delivering them to the bureau, though it would be better that they should be copied over in a fair hand before being sealed and delivered.

"It is impossible to prepare schedules at the navy yards to supply all of the articles which may be required for a year in advance. The bureau has made every effort to have the schedules made as full as practicable, and to leave as little to be supplied in open purchase as possible; but wants daily arise which

cannot be foreseen, and such must be supplied in open purchase.

"For materials, the quantities of which can be accurately ascertained, such as building materials, fuel, &c., special contracts for specified quantities should be made; but my opinion is, from long experience, that the best way to procure the thousands of miscellaneous articles required at the navy yards will be to purchase them in open market at the lowest market price as they shall be wanted for use.

"I return the evidence of Mr. Bronaugh, handed to me to examine.

"I am, sir, very respectfully, your obedient servant,

"JOSEPH SMITH,
"Chief of Bureau.

"Hon. JOHN P. HALE,
"United States Senate, Washington, D. C."

In this letter the chief of the bureau candidly admits that these alterations were fraudulently made with an intention to deceive, but he is perfectly satisfied that this was done before the bid came to his office; but he does not say that he is perfectly satisfied that this alteration was made before Scofield, by some means, obtained knowledge of what was the aggregate of the next highest bid. It was an enormous alteration in the price of a single article, an advance of more than one hundred and fifty per cent., and increased the aggregate of the whole bid nearly fifty per cent., and still kept a little below the next bid, supposing his first footing to have been honestly made, and the error which was discovered in the bureau to have been inadvertently made. Notwithstanding the confidence which the chief so frankly avows in his clerks, your committee are by no means sure that this increase was not made with a knowledge improperly obtained of what was the footing of the next highest bid.

Your committee will not pursue this examination further, but leave to the Senate to form their own conclusion from the evidence and the statement of the

chief of the bureau.

In regard to the contract of Savage, before referred to, to be executed at the Kittery navy yard, your committee would remark that although it is certainly true that by law the Secretary is compelled to accept the lowest bidder, yet it is equally true both in law, in equity, in common sense, and by the universal consent of all civilized nations, that fraud vitiates every contract and transaction tainted with it. And it is further true that, by the law of March 3, 1863, no bids having nominal or fictitious prices shall be considered. The authority thus conferred on the department to reject bids for fictitious prices was exercised in various instances, (see report of Secretary of Navy, December 7, 1863, pages 868 and 869;) and one case is found in which it is said, "No contract was made; prices too high."

This bid, which was rejected under advertisement of February 13, 1863, was class 33 for hardware for Brooklyn yard, and was at least one hundred per

cent. above the market price.

This bid came to the bureau, as is alleged, with an aggregate footing of the

prices of \$15,797, the correct footing of which was \$22,585 40.

This was the bid of Joseph L. Savage, and he was the only bidder for this class at the Brooklyn yard at this letting. As this bid is one characteristic of a large class, your committee propose to call attention to some things about it which to them, to say the least, appear exceedingly strange and unaccountable by any theory consistent with the integrity of those acting for the government in this matter.

The aggregate of this bid, as originally made out and written down at length, was six thousand seven hundred and twenty-five dollars and forty cents, (\$6,725 40.) That was the state of that bid when it was completed, and by subsequent alterations and erasures and additions it was increased to twentytwo thousand five hundred and eighty-five dollars and forty cents, (\$22,585 40,) thus, by this means, increasing the aggregate of the bid more than two hundred per cent. The chief clerk of the bureau, who appeared before the committee and was examined by them, swears that the bid as it now is is just as it was when it was opened. This evidence should be weighed and considered along with the other evidence in the case in determining how the fact is. In the first place, the clerk does not appear to have, nor does he mean that he has, any particular recollection of the precise facts of this identical bid, but swears from a general belief that such was or should have been the fact in all cases. Against this statement there is presented this question, arising on the face of the paper, viz: Does it appear credible or even possible that the honest correction of mistakes or erroneous estimates of prices by a merchant in a bid deliberately made should carry prices from six thousand seven hundred and twenty-five dollars and forty

cents to twenty-two thousand five hundred and eighty-five dollars and forty cents—more than two hundred per cent.?

This question appears the more significant when we look at the mode by

which this result has been reached.

In one article of brass screws, of which there were to be purchased one thousand gross, originally bid for at three dollars a gross, and carried out correctly three thousand dollars, the three was subsequently altered to nine, making the amount nine thousand dollars, instead of three thousand, as it originally was, and by this single operation raising the price six thousand dollars!

was, and by this single operation raising the price six thousand dollars!

Another item of seventy-five yards iron jack-chain, originally bid for at 41 cents, and carried out correctly \$30 75, has a figure 1 inserted before 41, thus making the bid 141 instead of 41, and making another item by which the bid is increased seventy-five dollars. It appears strange to your committee that the honest correction of a mistake should require the addition of a dollar to a bid which must be supposed to have been understandingly made at 41 cents

originally.

Another correction of this kind is found of fifty dozen escutcheons, thread brass, assorted, originally bid for at thirty (30) cents, subsequently changed to one dollar and thirty cents, (\$1 30,) the original carrying out of the price being \$15, which is correct, and the addition of one dollar making an increase of the price to the amount of fifty dollars, and the aggregate sixty-five dollars instead of fifteen. These alterations appear to have been made with different ink from that originally used in making the bid.

Another correction of a similar character is where 100 pairs brass butt hinges, originally bid for at 75 cents a pair, and a figure 1 subsequently inserted before the 75, making the bid \$1 75 a pair, instead of seventy-five cents a pair, as

originally bid.

Another instance of the similar correction of a mistake in this extraordinary bid is where four hundred pairs of brass butt hinges, originally bid for at 30 cents a pair, and carried out in the aggregate correctly at \$120, has by the same process had a figure 1 inserted before the 30, making the bid \$1 30 a pair, instead of 30 cents, as it originally was, and the aggregate \$520; making a difference against the government in this article alone of \$400.

Your committee forbear to pursue this particular branch of inquiry in regard to this bid any further, satisfied that from the cases referred to enough is shown to enable any one disposed to pursue the inquiry honestly, and to give to established and unquestionable facts their just consideration, to come to a

fair solution of any question which the facts raise.

In the first place, were these alterations, thus exhibited, honestly made, and the fair correction of errors in prices at first inadvertently made, and upon subsequent reflection honestly corrected? To that question, in the minds of your committee, there is and can be but one answer, and that a decided negative.

In all our inquiries about this bid, let it not for a moment be forgotten that Mr. Savage was the only bidder. Nor, in the opinion of your committee, can there be any reasonable doubt that, by some means to the committee unknown, Mr. Savage became aware of this fact before these alterations were made; and having this knowledge—knowing that there was no competition to contend with—his bid, originally \$6,725 40, is suddenly increased to \$22,585 40; and that this immense increase might not appear too startling, a false computation is put down at the sum of \$15,860 40. Your committee can see no solution of this phenomenon consistent with the integrity of Mr. Savage, and of the bureau. But as dishonest avarice not infrequently overreaches itself, and in its endeavor to grasp too much loses the gains it might have made, the additions here made were so gross and extravagant that the whole bid was rejected because the bids were too high.

One of the most remarkable cases of alteration of bids is in the Bureau of

Construction—class 41, glass, New York—Jos. L. Savage being the only bidder. This contract was computed and footed as being for the amount of \$1,278 65; the correct computation is \$1,478 65. It was originally completed with the aggregate computed at \$537 90, and so written out at length and so given in figures. By additions and alterations this sum is increased to \$1,478 65 before the contract is entered into. This error in the computation was noticed in the pamphlet of Smith, Brothers & Co., before alluded to, and the attention of the chief of the bureau making the contract was called to the subject; and he thus disposes of it in his answer, viz:

"Class 41, glass, New York, Mr. Savage, contractor.—There was but one bid for this class, and in making the computation, (the results being placed in an independent column,) an error was discovered. In copying for the printer, the clerk inadvertently took the contractor's extensions. There is no error in the contract, and no loss to the government can arise."

It is rather unfortunate for this explanation of the chief that no such computation as that published, viz., \$1,278 65, was made by the contractor in any stage of its alterations from \$537 90 till it finally reached \$1,478 65, and the chief clerk of the bureau, on his examination before the committee, admitted he could give no explanation how that result was arrived at; neither could the committee.

Starting with the fact that this bid was originally \$537 90, we propose to show some of the means by which it was increased to \$1,478 65. In the first place, fifty dozen hexagon deck-lights were originally bid for, at \$7 50 per dozen, and the aggregate was correctly carried out, \$375. Then a unit was inserted before the \$7 50, making \$17 50 per dozen, and the aggregate is made to correspond thereto by raising it to \$875; and thus five hundred dollars of the increase is accounted for. Again: twenty-four lenses, originally bid for at ten dollars apiece, were raised to twenty dollars each, and we thus have two hundred and forty dollars more of the increase accounted for; and add to this an error of seventy-five cents, which the chief clerk swears was corrected in the bureau, and you have precisely the sum of \$1,278 65, the amount published in the Secretary's report, which, in the opinion of your committee, was the true state of the bid at the time it was sent to the printer. How the amount was subsequently raised to \$1,478 65 your committee are unable to say.

#### OIL CONTRACTS.

One of the most remarkable features of these very remarkable transactions is the contracts for sperm oil, under the advertisement of February 13, 1863, at the several navy yards, all made with H. D. Stover, of New York. At the Kittery navy yard there was no contract; at Charlestown the price was \$1 65 per gallon. Burnet Forbes was the next lowest bidder, at \$1 70 per gallon. At New York the contract was awarded to Stover, at \$1 68 per gallon; the next lowest bidder was Burnet Forbes, at \$1 70. At Philadelphia it was awarded to Stover, at \$2 35. The next lowest bidder was Scofield, at \$2 40 per gallon.

At Washington the contract was awarded to Stover, at \$2 44 per gallon; the next lowest bidder was W. A. Wheeler, at \$2 46. Thus Mr. Stover took the contract for sperm oil at all the navy yards at this letting, at prices ranging from \$1 65 per gallon to \$2 44 per gallon; and in no case does the price of oil as awarded in the contract with Stover fall more than five cents below the next bidder, and in two of the cases but two cents below, although the prices range from \$1 65 to \$2 44 per gallon; and what renders this coincidence the more remarkable is, that while several alterations in the prices are made, the one most significant is in the price of sperm oil delivered at New York, the price of which was originally put in at \$1 40 per gallon, and subsequently altered to \$1 68 per gallon, just two cents below the next bidder. Now, the committee

with confidence suggest that it is hardly to be believed that it falls within the range of human sagacity for any man to be able so to gauge his bids for articles to be delivered at different places, differing so widely in amount as these do, as to fall in two instances two cents, and in two others five cents, below the next bidder; and credulity on this subject is still further taxed when it is known that one of these bids, originally \$1 40, has been raised to \$1 68, still keeping the

bid the lowest by two cents.

It is worthy of remark that this alteration of the bid in this price of oil, from one dollar and forty cents a gallon to one dollar and sixty-eight cents a gallon, is very advoitly made by a careful erasure of 40 and 68 written over the place, evidently intended to mislead the observer, and done to induce the belief that \$1 68 was the original bid; and the same, substantially, is true of very many of the other alterations before mentioned, though some of them appear to have been openly and boldly made. It is difficult to perceive why, if these alterations were honestly made, in good faith, when the bidder had a clear right to make them, there should have been such a manifest intention to mislead or deceive.

After these bids had been published with the annual report of the Secretary of the Navy, December, 1863, at the commencement of the present session of Congress, and the pamphlet of Mr. Smith, of the firm of Smith, Brothers & Co., of Boston, in which there had been an analysis of the bids attempted, and the correctness and fairness of some of these contracts had been arraigned, had been submitted to the several heads of bureaus implicated, they severally made their answers thereto; and in regard to the character of the bids, Mr. John Lenthall, chief of the Bureau of Construction, says:

"The bids have been examined as well as the schedule made at the opening, and, to the best of my judgment, there have been no alterations made further than in some cases to change the incorrect amounts from the rectifications made on the margins of the bids; and I do not believe they have been in any way

tampered with."

B. F. Isherwood, chief of the Bureau of Steam Engineering, in his answer,

says:

"An examination of the original bids and of the schedules of them, made at their opening, does not show that any alterations have been made, except correction of errors of computations discovered in them either by erasure or otherwise; nor have I been able to ascertain that either the bids or schedules have

been in any way tampered with."

Mr. Smith, chief of the Bureau of Docks and Yards, makes no general declaration of the kind made by Mr. Lenthall and Mr. Isherwood, but confines himself, while speaking of an erroneous computation discovered by Mr. Smith and brought to public notice in his pamphlet, to the assertion that he "is confident that no collusion or erroneous exhibit was intended by the clerks. I have the

utmost confidence in the honesty and fidelity of those gentlemen."

In reply to this opinion of Mr. Lenthall, that there had been no tampering with the bids, it may be remarked that Mr. Farwell, the chief clerk of Mr. Lenthall's bureau, at his examination before the committee in reference to a number of Scofield's bids, and of Lockwood & Collins's, which appeared to the committee on examination to contain so many alterations and erasures in the writing and in the figures as not to be worthy of credit, in that immediate connexion testified as follows, viz: "I desire to state, in this connexion, that I recommended, at the time these bids were opened, that they should be rejected as being defaced, and as being uncertain, it being doubtful what the figures meant; but these bids were all referred to the department, and such of them as were awarded were ordered to be awarded by the department. Collins's bids are of the same general nature all the way through." Your committee are inclined to agree in opinion with the clerk rather than the chief; and so far as

the appearance of those bids is considered, if they do not exhibit unmistakable evidence of fraudulent tampering, it is difficult to conceive what evidence would establish that fact. Indeed, it may be said generally of these bids exhibited to the committee by this witness that a worse exhibition of papers, for which any credit was claimed, never was made to any tribunal.

The same remarks apply with equal force to the bids exhibited to the com-

mittee from the Bureau of Steam Engineering.

Whatever others may think of these transactions, your committee cannot refrain from the expression of the opinion that the examination which they have been able to give to this subject has satisfied them that in the matter of the biddings for sperm oil before referred to, Stover was enabled to put his bids in a trifle below the next bidder in every case by knowledge improperly obtained from some one in the bureau, or else the prices were altered after they were received at the bureau. Your committee see no escape from one or the other of these conclusions.

The same is true, in their opinion, of other bids in the Bureau of Steam Engineering, where the prices have been raised in the manner before stated, and is also true of the Bureau of Construction and Repair, and also of the Bureau of Yards and Docks. This opinion of the committee is arrived at from facts patent on the face of the papers. It is true that the chiefs of the bureaus above named have all been before the committee, as have their chief clerks, and they have all testified that the bids as they were exhibited to the committee were in the same condition in which they were received at the several bureaus; but your committee are compelled to the conclusion that the facts apparent on the face of the papers, and which cannot lie, irresistibly lead to inferences which the direct testimony of these witnesses entirely fails to satisfy them are erroneous or un-Your committee cannot see how such facts as they have called attention to could have occurred without such knowledge improperly obtained, though they have no evidence which enables them to say who the guilty individuals are, nor are they prepared to say whether this knowledge thus improperly came to these bidders through criminal carelessness on the part of some of those in the bureau, or direct complicity with them.

When it is remembered that most, if not all, the testimony in this examination comes directly from those who are implicated or connected with the fraud against the government, if any fraud has been committed, it will be readily admitted that it is no easy task to detect and expose it; but near the close of the examination some direct evidence was obtained from Mr. Ira Murdock, formerly chief clerk of the Bureau of Steam Engineering, which, if it may be relied upon, certainly goes far towards explaining at least one of the modes by which such knowledge may have been obtained. He testifies that at the opening of the bids in the Bureau of Steam Engineering in the spring of 1863, on the day for opening them, they were opened and entered on the schedule in presence of various parties who were present and freely examined them all. Mr. H. D. Stover was not present at this opening, but a Mr. Ainsworth Brown, his agent, who acted for him, was. No bids from Stover were presented or opened on that day, but the next morning this same Mr. Brown, who was present at the opening of the day previous, and of course knew what each and all of the bids were, appeared at the office of the chief of the Bureau of Steam Engineering with a number of bids in the name of Mr. Stover, which were accepted, and were

successful.

This statement, uncontradicted, would explain very readily how Mr. Stover should be able so to bid as to be sure of securing any contracts he might decide to take, because by not putting in his bids till after everybody else had bid, and his agent had had opportunity to examine all the bids which were in, it is manifest he might underbid any one he chose, and when there was no bidder, he might bid as high as he thought it safe to go.

This evidence was given on the first of this present month of June. On the next morning Mr. Murdock, the witness, in company with Mr. Isherwood, chief of the bureau, and Mr. Farwell, chief clerk of the Bureau of Construction, &c., appeared in company before the committee and testified in substance as follows:

A. B. Farwell testified that all the advertisements for these bids were issued from the Bureau of Construction; that Ainsworth Brown brought all of Stover's there at that opening, the morning of the opening, and before the opening commenced they were filed with Mr. Lenthall; that on examination it appeared there were bids of Stover that belonged to Isherwood's bureau; these bids were not opened till the second day, and when Mr. Lenthall discovered the mistake he ordered me to take them into Mr. Isherwood's bureau. I did so, and offered them to Mr. Neally, the chief clerk of the bureau; he declined to take them, saying they had closed their opening; he said I might hand them to Mr. Isherwood, who was present. I handed them to him and immediately went out. I think Brown came in as I went out; he said he was going to see that his bids were properly scaled. Murdock was present. As I was going out Brown wanted me to say to Mr. Isherwood they had been torn from our bids as they were; I told him I had already told that to Mr. Isherwood. Isherwood told Mr. Neally to seal them, and they would afterwards settle whether they ought to be received or not. I carried in these bids; they never were in Brown's hands till they had been in Isherwood's.

Mr. Ira Murdock agreed with Mr. Farwell's statement, and corrected his statement of the day previous, by saying that of the four classes bid for by Stover, before alluded to, two were awarded to him; on one he was unsuccessful, and one was rejected, because he was the only bidder, and prices were too

high.

B. F. Isherwood was indistinct in his recollection, but, as far as he testified, confirmed the statement of Farwell; but in answer to a question, "If he remembered that there was some question, or some discussion, with any person as to whether a certain bid should be, or should not be, received by him, between Mr. Neally and himself or some other person," answers: "I do not recollect now whether any such discussion took place or not, but the simple fact would have been to ascertain whether that bid had been sent in due course of mail with other bids to the other bureau by mistake, and if it had been there would be no question as to the propriety of receiving it; it would have been a mere mistake in its address, which was very easy to be made in view of the circumstance of the division of the bureau."

In endeavoring to ascertain where the truth lies between these contradictory statements, it is well to remark that Mr. Brown was present that day as Mr. Stover's agent, to look after his interests, and it is strange that when he saw that no bids of Mr. Stover's were opened or entered on the proper day for opening, and when all the other bids were opened, he did not at once proclaim that there was some mistake; that he had put in bids for Mr. Stover, and there did not appear to be any there. Why did he not at once take measures to ascertain how the mistake had occurred, and endeavor to have it rectified? But he did no such thing. Neither on the first day of the opening nor on the second either, according to the explanatory evidence given by Farwell, Isherwood, and Murdock himself on the 2d of June, did Mr. Brown take any measures himself to have the mistake rectified; but what was done with that view was done by Mr. Farwell. Having stated the evidence fairly, the committee will express no opinion, believing that the Senate will have no difficulty in coming to a satisfactory conclusion.

As the committee report all the testimony they have taken, they do not deem it necessary to extend this report. They recommend to those who would be informed on this matter to examine that testimony; nor do they at this time

propose any additional legislation, except a proviso by way of amendment to the second section of the joint resolution "authorizing the Secretary of the Navy to adjust the equitable claims of contractors for naval supplies, and regu-

lating contracts with the Navy Department," approved March 3, 1863.

The abuses which have been practiced, and the frauds which have been perpetrated, have not been for want of law, but from neglect and violation of law; and unless those intrusted with the execution of the law are faithful and vigilant, the wisdom of the wisest is incompetent to the framing of laws to protect the public from the lawless rapacity of the dishonest.

## PURCHASES BY BUREAUS.

An examination of the evidence has satisfied your committee that the govern ment has suffered as much by purchases made directly by the chiefs of bureaus as in any other way. This fact is illustrated by the case of the purchase of a crank for the steamer Cambridge, an account of which may be found in the correspondence of Admiral Smith with the navy agent at Charlestown, where nearly or quite twice as much was demanded by Lazelle, Perkins & Co., for the article furnished, as it could have been procured for by the navy agent in the regular course of business as regulated by law.

At a time like the present, when taxes are so high, and the burden of the war falls so heavily on the people, they have a right to expect and demand from those intrusted with the disbursement of the public money fidelity, vigilance, and

economy.

In conclusion, your committee submit the following as the result of the examination they have made:

1. In the matter of contracts for naval supplies last year, the government

has been grossly defrauded.

2. These frauds could not have been perpetrated without aid from those in the

employment of government in the bureaus.

3. These remarks apply to the Bureau of Steam Engineering, the Bureau of Construction, &c., and the Bureau of Yards and Docks.

# VIEWS SUBMITTED BY MR. BUCKALEW.

The undersigned concurs with the chairman of the committee in most of the views contained in the foregoing report, but finds it necessary to submit some observations in order to embody more fully and accurately his conclusions upon the main points involved in the investigation.

1. Prior to the passage of the joint resolution of Congress of March 3, 1863, regulating contracts with the Navy Department, biddings for contracts had become very objectionable in character by reason of the usage of class biddings and allotments upon the summing up of aggregates of prices contained in them.

That resolution, therefore, declared that "no bids having nominal or fictitious prices should be considered." This was a very proper provision, but under the construction it has received it has not prevented abuse and imposition upon the government. Biddings at nominal prices have been checked or prevented, but the term "fictitious" has not been held to embrace biddings at very excessive prices, as shown in the contracts exhibited in the foregoing report. It is true that bids have been rejected for high prices, but not in cases where there were more bids than one for the same class. The usage of the department seems to have been, where there were two or more bids for the same class, to award the contract to the bidder whose aggregate of prices was lowest, without regard to the real value or market price of the articles contained in his bid. The undersigned does not perceive the grounds for such construction of the law of 1863, and it was doubtless in accordance with the prior practice of the department and without reference to that enactment. But it is manifest that, upon such a rule of allotment, it is possible for bidders to combine together in making bids to secure, in some cases, most exorbitant prices; and this was, in fact, the result in the particular cases mentioned in the report, and in a less degree in others.

The undersigned conceives that the department would have been justified in holding that prices in bids fifty, one hundred, and two hundred per cent. above market rates of value were fictitious and unreal, as representing no actual rates in commercial markets, and to have rejected them without reference to the

number of bids given for a particular class.

But if a just construction of law obliged the department to allot contracts in all cases to the lowest bidder where more than one bid was made for a class, it is most evident that an official request should have been made at the earliest moment by the department to Congress for an amendment of the law authorizing more fully the rejection of extortionate bids; and it will now be proper for Congress, upon the information elicited by this investigation, to enact that bids at extortionate rates shall in all cases be rejected. This propo-

sition is too plain to require anything further than its mere statement.

In carrying out such a provision, and applying it perfectly in practice, it will only be necessary for the department to obtain reports from its navy agents of the market rates of articles covered by its advertisements at the several commercial cities where supplies are desired. Nothing but gross neglect and indifference to the public interests would cause the department to be largely imposed upon in any particular case. And where bids, at fair rates, are not forthcoming for articles wanted, recourse may be had to open markets through the regular officers of the department stationed at the places where the purchases are to be made. The bill now reported by the committee ought to secure the government against gross imposition hereafter, if it be enacted by Congress, and be honestly and faithfully executed. At all events, it will prevent all excuse for the allotment of such contracts as those exposed in the report.

2. The undersigned concurs in the conclusion drawn in the report from the evidence, that in particular cases of contracts for naval supplies the successful bidders had information from the department with regard to the biddings, or assistance therein in arranging their bids to secure success. No other explanation of several of these contracts can be reasonably given. Reliance upon this point is not placed merely upon the fact that the bids upon their face were altered at some time prior to the allotment, but mainly upon the particular character of those alterations with reference to the other bids, and also when other bids were not made. It is reasonably certain that the bids in question must have been altered after they were opened, or made or altered prior to the time of allotment, upon information improperly received. The suggestion that information might have been received by the successful bidders outside of the department is insufficient and unsatisfactory. Competing bidders would not have communicated the contents of their bids upon inquiry, nor could the successful bidder have known who the competitors were, the bidding being open to the whole world, and the public mails the instrument for conveying them. it would seem a hard measure of justice to cast a general imputation upon the officers of the department which, in its application to most of them, would be quite unwarranted by the real truth of the case. Men who have faithfully served the government and maintained perfect integrity might have complained if the investigation had stopped with the exhibition of the papers before the committee.

The committee, therefore, examined a number of persons, heads and subordinate officers of the several bureaus, and took their testimony upon the question of their connexion with, and their proceedings upon, the reception of bids and

allotment of contracts, and their testimony is submitted to accompany the other evidence in the case for the consideration of the Senate as matter of vindication of the particular gentlemen examined from imputations of corrupt conduct. As far as time and opportunity permitted, the committee endeavored to make their investigation thorough and just, and they will hope, as the practical and proper result of their labors, that the action of the department will be reformed here-

after, and no necessity arise for future investigations therein.

3. This inquiry into this subject of naval contracts mainly arose upon an exposition of them by Franklin W. Smith, a merchant of Boston, and the evidence and papers herewith reported will show the thoroughness and ability with which his examination was made, and the particular replies on the different points given thereto on behalf of the department. The recriminations against him appear in the replies and in the testimony taken before the committee. There can be no question of his intelligence and capacity, nor would it be unreasonable to assert that the public are indebted to him for much of valuable information upon the subjects covered by this investigation. Since his examination before the committee, he has been arrested at Boston, it is believed at the instance of the Navy Department, upon some accusation or allegation of overcharge or imposition in furnishing naval supplies. It is to be hoped, for the credit of the government, that this arrest, following close upon his examination before the committee, will be fully justified upon due investigation and fair trial, and that the proceeding will be relieved from all appearance of persecution or vengeance.

C. R. BUCKALEW.

# VIEWS SUBMITTED BY MR. DOOLITTLE.

From the evidence before the committee, it appears that, while in some instances the cupidity of contractors under the operations of the contract system has overreached the government and imposed upon it exorbitant prices, yet upon the whole aggregate of expenditure by the department the per-centage above fair market rates is not very large—not more than equal to the rise in prices from time to time consequent upon the depreciation of currency during the period between the making and the execution of the contract. And in those instances the committee have been unable to obtain any testimony designating any person employed in any capacity in the Navy Department as guilty of any fraud, complicity, or breach of official duty by which such contracts have been imposed upon the department.

Upon the other hand, it is due to the head of that department, and to the chiefs of the several bureaus, to say there is no evidence which-proves or tends to prove any act in the slightest degree involving their official integrity. It is also equally due to their clerks to say they have afforded every opportunity to the committee to make a full explanation of all matters connected with these contracts, and have given their testimony before the committee fully, freely, and with apparent candor. There is no evidence implicating them or either of them, or which raises any reasonable ground for believing that any one of them has in any way, directly or indirectly, been concerned in any contract, received any consideration, or been in any manner implicated in any transaction connected

with these contracts derogatory to his official or private character.

The only clerk upon whom suspicion seemed to fall, in the course of the examination, was a Mr. Murdock, of Massachusetts, and he has not been in the employ of the government for nearly a year past. That suspicion grew out of F. W. Smith's statement of a conversation with Pratt and Ellis. It was at most mere hearsay, and on examination turns out not to be well founded—

1st. Because of the positive denial of Pratt and Ellis of such a conversation; and

2d. By the disproval of the alleged fact by Pratt and Murdock, as well as by the satisfactory explanation given by Murdock of his purchase of the house in Massachusetts and of his relations to Pratt and Ellis, out of which the story

grew.

It is true that near the end of the examination this witness, Murdock, being recalled, (June 1, 1864,) made a statement which on its face, unexplained, would involve Isherwood, the chief of the bureau, and his chief clerk, Neally, in a grossly improper act, viz: in the wilful reception of a bid after other bids had been opened, and by a person who had an opportunity to examine them. the next morning (June 2,) this matter was fully explained. Mr. Farwell and Mr. Isherwood, being recalled, showed the transaction as it really occurred. bid was, in fact, put in in time and before any bids were opened in any bureau, attached to other bids in one envelope, but was put in the bureau of Lenthall. Isherwood's bureau was in fact a branch off from Lenthall's bureau, just created, not even organized when the bids were advertised for, all of which was done by Lenthall's bureau. Mr. Farwell took off this bid which was found attached to bids properly belonging to and filed in Lenthall's bureau, and carried it himself to Isherwood's bureau, stating to him the fact in presence of Brown, and with that statement of fact Isherwood received it subject to the approval of the department. Murdock was present when these statements were made before the committee by Farwell and Isherwood, and upon hearing them called to his recollection afresh concurred in them. This evidence, therefore, so far from implicating Isherwood or Neally in any wrong, proves them to be vigilant and careful of the interests of the government.

A large amount of testimony has been taken, tending to show, or at least to

raise a question, upon the following propositions:

1st. Whether in some instances there may not have been a combination among bidders;

2d. Whether in others some special knowledge by the bidder of what articles

of a class would and what would not be called for did not exist;

3d. Whether in others some knowledge of the bids of competitors, either be-

fore or after they were put in, had not been obtained; and,

4th. As to bids which on their face manifestly appear to have been altered in prices, whether, in order to increase the prices without raising the aggregate above the next lowest bid, they may not have been altered in some way after they were put in, with the knowledge or connivance of some person in the department.

Without going into details, as to the *first*, it is enough to say there is some evidence tending to show that Scofield, Savage, Collins, and some others were in a combination called the "ring," in which it was understood they would not compete against each other. But the evidence upon that subject is too vague and indefinite to pronounce a decided opinion as to the extent of any such

combination.

As to the second, under the old system of bidding it frequently occurred that a contractor would bid to deliver articles at a mere nominal price which were of well-known and established value in the market, while in the same class for articles of equally well-known and established prices the sum named would nearly or quite double their real value. For instance, Smith Brothers, of Boston, bid for Scotch pig-iron one dollar a ton, which was worth at least twenty, and at the same time bid thirty-three dollars a ton for American iron, worth about the same as Scotch. This can be accounted for only upon the supposition that they expected to be called upon to deliver American iron in large quantities, and little, if any, of the Scotch; which turned out to be the fact. In this and similar cases the inference is that some special knowledge existed. Mr. Smith

said he obtained it by mathematical analysis. By an order from the bureau, requiring the immediate delivery of all articles bid for at nominal prices, and by the act of 1863 authorizing the rejection of bids containing nominal or fictitious prices, that old system of abuse, under which no fair dealer, offering his commodities at reasonable profits, could compete with the sharp and practiced gambler in contracts, was checked to a great degree. But under the law as it now stands some abuses still exist, growing out of the fact that the articles required are so numerous and various that of necessity they are advertised and bid for in classes, and the contract by law must be awarded to the lowest average bidder for the class, even if some articles are bid for at exorbitant prices. Although the department has assumed in some cases to reject bids where prices were exorbitant and there was no competition, it is doubtful whether the law authorizes it as it now stands. Iron worth \$20 per ton, if bid for at \$1, the price is merely nominal, being but a twentieth of its real value, and the bid might be rejected. So if bid for at \$400 per ton, it might, perhaps, be called a fictitious price, being twenty times its real value, and rejected. But suppose it is bid for at \$40 per ton, when worth but \$20, is the department authorized to say such a price is nominal or fictitious and reject the bid? I think not. The truth is, that iron which was only \$20 in price in 1862 is now worth over \$50, and for such variation in price, anticipated as it might have been by a contractor, it would not be a true construction of the law to say the department could properly regard such a bid fictitious or nominal, and reject it.

In the opinion of the committee, it would be a beneficial amendment to the act of 1863 to authorize the department to reject from any class bid for any one or more articles when, in the judgment of the department, the same is offered at a price exceeding ten per cent. above the market price, and to accept the bid as to the remaining articles of said class; and they report a bill accord-

ingly.

As to the third and fourth questions, which I will consider together, many of the original papers containing the bids appear manifestly to have been at some time altered, either before or after they were handed in. Indeed, some of the papers appeared, at the opening, to be so much erased, mutilated, and altered in their appearance, that Mr. Farwell, proposed to reject them altogether for that reason. But a closer examination showed that if bids had been rejected because of alteration and erasures, and the next lowest bids accepted, the government would have lost thousands of dollars. Besides, the law did not authorize the rejection of bids for that reason, so long as they remain legible.

As to these alterations, the chiefs of all the bureaus, and their chief clerks, testify positively that the bids appear now as when they were first opened, in the column of prices; that no alterations except in correcting errors of computation and footings have been made in them. And Savage, the only bidder sworn on that subject, swears that he made the alterations himself before put-

ting them in.

When it is considered that every obligation of official duty forbid any alteration of the prices by any person in the employ of the government or suffering it to be done; when they have, upon their oaths, testified to the fact that no alterations were made; and when a long examination of witnesses has failed to show any impropriety of conduct in any one of the persons called as witnesses, it is felt that it would be manifestly unjust to charge or impute to any person, in the absence of any further evidence than has appeared before the committee, the gross dereliction of official trust and duty involved in the crime of altering or allowing others to alter the prices and terms of their bids, after they were put in, in fraud of other bidders and in fraud of the government—a crime amounting to forgery in itself, and if committed by any of the witnesses sworn before the committee, we must add the crime of perjury.

In some cases the evidence tends to show that the successful bidder in some way might have obtained knowledge of the bids of his competitors. But it is much more reasonable to suppose that if such knowledge existed, it was obtained of the agents of the bidders, who generally presented them to the department, or that the bidders were in combination among themselves, than to suppose responsible officers, and honorable gentlemen, like the chiefs of the bureaus, should be guilty of such a breach of trust, and attempt to conceal it by perjury, and especially as the evidence shows under what checks and guards

these bids were received, kept, and opened.

The bids are almost wholly received at the department within two or three days before the time limited for their reception expires; many being delivered in person on the last day by the bidder or his agent. They are securely locked up until the hour for opening, which is done in the presence of three persons connected with the bureau, and of such bidders as choose to attend. The seal of the envelope is broken by the chief of the bureau, who reads off the amount of the bid; the recording clerk takes down the figures upon tabular sheets prepared for the purpose; and the bid having been passed to the third member of the board, generally the chief clerk of the bureau, the record is read and its accuracy determined. In this way all the bids are opened and recorded, when they are passed to the clerks for verification.

At the first opening the clerks to whom the bids were delivered for verification—that is, to see if the computations were properly made, and correct them if they were not—were not required to put their names upon them; but at the next opening of bids this was required as an additional safeguard against any

possibility of alterations.

Upon the whole, it appears that from time to time orders have been made by the department, as exigencies required, to secure the government against imposition and fraud; and I affirm without any fear of contradiction that nothing appears in the evidence to shake the confidence of the committee in the integrity of the head of the Navy Department, nor in the integrity of any one of its bureaus. Nor, from the testimony, can any member of the committee name any other officer in the department, whose removal he would recommend upon a charge of fraudulent or dishonest official conduct based upon the evidence before the committee.

The committee recommend the passage of the accompanying bill.

J. Ř. DOOLITTLE.

Rep. No. 99---2

#### MR. SMITH'S PAMPHLET.

PAPERS CONCERNING THE PURCHASE OF NAVAL SUPPLIES, WITH AN ANALYSIS OF CERTAIN NAVY CONTRACTS.

Correspondence with the chairman of the Committee of the House of Representatives on Naval Affairs, the Secretary of the Navy, and Hon. D. W. Gooch, upon an amendment of the law regulating contracts with the Navy Department.

37th Congress, 3d Session. House of Representatives. 141.

FEBRUARY 5, 1863 -- Read twice, ordered to be printed, and the further consideration postponed till Monday next, after the morning hour.

#### AN APPENDIX.

Mr. Sedgwick, from the Committee on Naval Affairs, reported the following joint resolution:

JOINT RESOLUTION authorizing the Secretary of the Navy to adjust the equitable claims of contractors for naval supplies, and regulating contracts with the Navy Department.

Sec. 2. And be it further resolved, That the chief of any bureau of the Navy Department, in contracting for naval supplies, shall be at liberty to reject the offer of any person who, as principal or surety, has been a defaulter in any previous contract; and that no contract shall require the delivery of more than fifty per centum in excess of the stipulated quantity in the contract, or a decrease of more than twenty-five per centum thereon; that if more than one bid be offered by any one party, by or in the name of his or their clerk, partner, or other person, all such bids may be rejected; and, in like manner, the bids for any class shall be rejected in which there are nominal or fictitious prices; nor shall the copartners of any firm be received as sureties for such firm or for each other; nor, in contracts with the same bureau, shall one contractor be received as surety for another. And that, when supplies are exhausted in contracts with any bureau before the expiration of the fiscal year, such bureau shall advertise, in the usual manner, for additional supplies.

# Washington, February 10, 1863.

SIR: The delay of action by the House upon the "joint resolution regulating contracts with the Navy Department," induces me to communicate in writing the purport of my conversation with you a few evenings since.

It is possible that the experience of a merchant, who has been largely engaged in business with the department, may offer some suggestion worthy the

consideration of the Naval Committee.

The paper annexed will show incidentally that the house in which the undersigned is a partner, so far from being desirous to avail themselves, to their pecuniary advantage, of the "evils of the contract system," improved their earliest opportunity, a year ago, to record with the department their regret that such evils existed, and their earnest desire to aid in effecting a remedy.

Most respectfully, your obedient servant,

FRANKLIN W. SMITH.

Hon. CHARLES B. SEDGWICK,

Chairman of the Committee on Naval Affairs.

Paper to the Secretary of the Navy and Hon. Charles B. Sedgwick.

Washington, February 10, 1863.

The bill before the House proposes to remedy evils in the contract system of the Navy Department that have existed for many years. The disadvantages that have followed to the government have been inherent in the system itself. In two bureaus of the department a system of proposals by advertisement has been maintained that in result was a mere matter of chance to the respective parties. Thus in the Bureau of Yards and Docks it has been customary to advertise for a great variety of articles which were only to be called for if wanted. The chance, therefore, for the bidder to calculate upon is, what articles will be wanted?

In the Bureau of Construction it has been the custom to advertise for a quantity of assorted merchandise, with the stipulation that any additional amount, of any kind, is to be furnished during the fiscal year as may be demanded. Here the chance for the bidder to consider is, what quantities will be wanted.

Thus the schedules advertised have been no fixed criterion as to what is

really to be supplied.

If the contracts of the department, as published for years past, be analyzed, it will be found that a system of bidding has been maintained by which the merchandise advertised has been offered to the government at very much less than its value in the market; the bidders having calculated according to their estimate of the real wants of government. The law has required that the lowest bid, in aggregate upon the whole, should be accepted.

The merchant, therefore, who would approach government with his offer, must follow these old precedents or be entirely distanced by his competitors.

Honorable mercantile houses have desired and urged a reform in the system that would place the transactions of the department upon a more legitimate basis to all parties concerned.

The following is an extract from a letter of our firm to the chief of the Bureau of Yards and Docks, written in February, 1862, but a few months after

their first contract had been made:

"We are specially pleased at your allusion to contracts and the mode of obtaining them; for it gives us an opportunity we have desired to place on record

our knowledge of the system, and our experience of its practical results.

"We believe that your judgment, after long experience, must coincide with our own, viz: that the contract system, as now existing in two bureaus of the Navy Department, is essentially wrong, in contracting for a continued supply of a large assortment of goods upon the lowest aggregate for a fractional schedule. Instead of a clearly defined contract, indicating what the buyer is to receive and the seller to give, during its continuance, the result is a lottery to each. Such is the system, and it is the system that is responsible for the absurdities that follow, not the merchant who approaches government with his wares and finds this system in his way.

\* \* \*

"We shall be glad to aid in any effort to replace it by one more distinct in its demands upon the seller of merchandise, and therefore far more agreeable

to those who would be honorable competitors for government patronage.

"Now as 'to the mode of obtaining contracts.' How did we obtain our contracts? The writer of this, who prepared our bids last June, was never in the naval apartments until, in your presence, the bids were opened. He had not then asked a question, nor did he know an official or clerk within the gates of the navy yard. Having decided to attempt some government contracts, we analyzed the published reports of the department in previous years to discover the modus operandi; and, in passing, we would say that we were astonished

that a system that left such records of bargaining could have been so long maintained.

"Now, as to the practical results of the system. Absurd as it proves to be in its details, the record of our business proves that in the aggregate it is as likely to prove favorable to the government as to the contractor, though a lottery to each. Government pays large prices for some articles. It receives others for mere nothing. How many contracts with the bureaus this year have been abandoned for the loss they involved? The figures annexed are the basis of our opinion, that upon the entire amount of our year's business with your bureau the average per cent. of profit will not exceed, or equal, a fair mercantile rate."

#### THE REMEDY.

The bill reported by the committee is an advance towards remedying the evils of the system. In two of its provisions, however, in our judgment, it is defective:

First. By providing (sec. 2, line 5) that there may be an increase of fifty per centum or a decrease of twenty-five per centum upon the quantities adver-

tised, the game of chance is still open.

Let the Navy Department, as the War Department, advertise for precisely what is to be received; no more, no less. There can then be no "nominal prices." They will disappear; for the merchant will know that the merchandise described is to be furnished. If the War Department wants 100 ambulances and 200 wagons, they contract for and demand like quantities as advertised. There is no chance to estimate that there may be delivered, under the contract, 50 ambulances and 500 wagons. The War Department, therefore, receives no bids at "nominal prices."

If the Navy Department is uncertain as to its want of some articles, let them be bought when the demand shall arise. It can buy in open market, or it can direct its agents to advertise, at any time, for one day, or one month, for any

additional articles that may be demanded.

If the schedules, as contracted for, are being rapidly exhausted, the department can, before the contracts expire, advertise for more merchandise, by the

provision of the bill of the committee.

Second. Having thus effectually removed all occasion or opportunity for nominal prices, the clause allowing the rejection of bids for nominal prices can be omitted. It gives an opportunity for unfairness by an arbitrary decision, as to what is a nominal price. One merchant, perhaps, of unusual facilities possessed, may afford to supply articles less than any other parties. The government would suffer, and the merchant be wronged, if the bid were to be rejected occause the price appeared too cheap.

The amendments to the resolution suggested by the above are—

First. The omission of the clause allowing variations from the quantities advertised.

Second. The omission of the clause allowing the rejection of bids for nominal prices; because, if the quantities are fixed as above mentioned, there can be no nominal prices.

Respectfully submitted.

FRANKLIN W. SMITH.

Hon. Chas. B. Sedgwick, Chairman Committee on Naval Affairs.

NEW YORK, February 12, 1863.

SIR: Having been unexpectedly called from Washington, I was unable to avail myself of the honor of another interview at your office, agreeably to your suggestion.

I beg leave, therefore, to place with you the communication addressed to the chairman of the Committee on Naval Affairs, upon the "joint resolution," "reg-

ulating contracts with the Navy Department."

In the note accompanying the paper to Mr. Sedgwick we remarked that it "will show, incidentally, that the house in which the undersigned is a partner, so far from being desirous to avail themselves, to their pecuniary advantage, of the evils of the contract system, improved the earliest opportunity, a year ago, to record with the department their regret that such evils existed, and their earnest desire to aid in effecting a remedy."

Most respectfully, your obedient servant,

FRANKLIN W. SMITH.

The Hon. SECRETARY OF THE NAVY.

NEW YORK, February 12, 1863.

My Dear Sir: I am glad to notice by the papers that the resolution concerning contracts was recommitted after debate, as I feared my suggestions were

quite too late.

We have really no pecuniary interest in the amendments suggested; for it is impossible to estimate whether the bill with or without them will be most favorable to our profit, if we make further contracts. My motive in the effort made was, sincerely: first, for the good of the government; second, that it might appear that all merchants who became contractors were not inevitably, because in business connexions with the government, selfish sharpers.

The record we have made to date is a clear one: we are content to be judged by it. I regard it as most fortunate that, without knowledge that any such legislation was pending, it happened in my way to place our record with the

Naval Committee.

If in the course of the debate sweeping animadversion may be made upon contractors under the system hitherto, your sentiments of fairness, regard for the fame of Boston merchants, and (may I presume!) your confidence in the undersigned, may prompt you to speak in reply.

With reference to "nominal prices," upon which so much is said, this is our reply: We were compelled to use an old system, provided by law, as it long had been used and accepted by the department, or retire from the competition.

If all houses who would be honorable dealers with the government thus retired from the field, the government, with a bad system, would be entirely in bad hands.

We did our part, as soon as we comprehended the evils of the system, in recording our regret that they existed, and our desire for their remedy.

With a renewal of thanks for your courtesy, I am yours, respectfully and truly, FRANKLIN W. SMITH.

Hon. D. W. Gooch, Washington, D. C.

Through the concurrent effort of Hon. Messrs. Gooch and Sedgwick, and in accordance with the recommendations of Smith Brothers & Co., the joint resolution approved March 3, 1863, which was in place of that recommitted in February, provided that "every contract shall require the delivery of a specified quantity."

This requirement of the law, that the Navy Department should contract for fixed quantities, caused nominal prices to disappear at once from the bids upon the next proposals for supplies.

Thus, as was remarked to Mr. Sedgwick, "paradoxical as it may appear to some

minds, contractors have been reformers."

The annexed are fair specimens of contracts with the Bureau of Construction; the first, of those executed for many years prior to 1863: the second, of those for the year 1863–'64, under the reform above mentioned.

The latter vindicates the assertion (vide page 8) that where quantities are fixed,

there can be no nominal prices.

# Contract for iron for Charlestown yard, for year 1861-'62.

# Bureau of Construction:

75,000	pounds	round iron,	from	$\frac{3}{16}$	to	$2\frac{1}{2}$	inches.	. <b></b>		$.03\frac{1}{2}$	per p	our	nd.
8,000	- "	66	66	$2\frac{5}{8}$	to	3	inches.			$.00\frac{1}{2}$		6	
4,000	66	square iron,	, 66	Ĭ	to	2	inches.			$.00\bar{3}$	6	6	
/ 2,000	44.	""	"								•		
1,000	66	" (ham										6	-
5,000	66	flat iron, fro	$\mathbf{m}$	1/4	to	1	inch			0.41	•	46	
		thick iron '	6	$1\frac{1}{4}$	to	9	inches	wide	}	-042	. •		
		Etc.,				ete			etc:				

By contracts of this date it was stipulated that, "if additional quantities of any of the above-named articles are demanded, they are to be furnished on like terms and conditions, previous to the expiraton of the fiscal year."

Large "additional quantities" were demanded. The prices above indicate the judgment of the contractor as to what kinds would be wanted in largest quantities.

# Contract for iron for Charlestown yard. for year 1863-'64.

#### Bureau of Construction:

By the terms of this contract, the precise quantities named in the schedules were to be delivered, "no more, no less," according to the act of March 3, 1863. 10,000 66 30,000 square iron, " 5,000 10,000 66 10,000 " (ham'd) 1 to 6 inches  $05\frac{1}{2}$  $\begin{array}{lll}
1\frac{1}{4} & \text{to } 1 & \text{inch thick} \\
1\frac{1}{4} & \text{to } 9 & \text{inches wide}
\end{array}$ 100,000 66 flat iron, from Etc., etc., etc.

# Correspondence concerning the purchase of naval supplies.

NAVY AGENT'S OFFICE, Boston, December 1, 1863.

SIR: In a communication, under date of the 17th ultimo, Hon. Charles B. Sedgwick, Commissioner of the Naval Code, expresses a desire to obtain from

"gentlemen practically aquainted with the subject," information as to "the best and most economical mode of purchase of supplies for the navy, and the one most likely to protect the government from fraud."

Among others, he submits the following questions:

First. "Whether the present contract system might be modified and changed

so as to avoid objection and prevent fraud."

Second. "Whether any more thorough and strict system of inspection and accounting for supplies and materials purchased ought to be adopted to secure the department against imposition."

I should be glad to have you state your judgment upon these questions, to be enclosed to the commissioner, as suggested by your observation and experience,

during the period of your business relations with the department.

I am, sir, very respectfully, your obedient servant,
E. L. NORTON, Navy Agent.

Franklin W. Smith, Esq., Boston.

# Boston, December 11, 1863.

SIR: I respond with pleasure to your request for the statement of my judgment upon inquiries submitted by the Commissioner of the Naval Code, viz:

First. "Whether the present contract system might be modified and changed,

so as to avoid objection and prevent fraud."

Second. "Whether any more thorough and strict system of inspection and accounting for supplies and materials purchased ought to be adopted to secure

the department against imposition."

"The joint resolution regulating contracts with the Navy Department," approved March 3, 1863, provided "that every contract shall require the delivery of a specific quantity." This was a decided reformation of the old system for unlimited supplies, upon the lowest aggregate bid upon a quantity; which left upon the published reports of the department, for several years, such absurd

records of government bargains.

In a communication addressed to the chairman of the Committee on Naval Affairs, in February, 1863, the prediction was made, that if the Navy Department would advertise for "no more and no less" than the quantity to be received under the contract, fictitious and excessive prices, which had been an evil and a reproach, would disappear. Existing contracts for specific quantities, executed under the present law, demonstrate the truth of the assertion. By this reform, therefore, the most prominent evils of past years have been removed.

Yet additional safeguards of law, scrupulously applied by the authorities, are requisite before the confidence of the community can be commanded, and before there can be certainty that the obligations of contractors are faithfully fulfilled.

These safeguards are required as to the following questions:

First. Is the reassurance to the public of absolute fairness in the reception of bids and award of contracts?

Second. Are the schedules of merchandise for which bids are invited sufficiently explicit in the description of merchandise to be furnished?

Third. Is the system for the receipt of merchandise so systematically pro-

tected that government cannot be defrauded in quantity or quality?

For satisfaction to the mercantile community upon the first inquiry above suggested, it must be known that all preliminary arrangements for the award of contracts are scrupulously guarded against collusion of clerks with favored parties, and against inaccuracy in computations or irregularity in the form of bids.

The advertisement for proposals should state that the opening of bids (no

longer, as formerly, in secret with chiefs and clerks of bureaus) is by law pro-

vided to be in the presence of bidders.

Bids should be received in closed safes prepared for the purpose, secured against all inspection until the hour of opening named in the advertisement. Then, in presence of the competing parties or their agents, they should be withdrawn, sorted and stamped with a seal privately retained by chiefs of bureaus for the purpose.

No bids should be received after the hour of opening.

Bids should not be indorsed with the numbers of the classes named within them.

(From such indorsements it may be learned by clerks that there are no bids for certain classes; and through collusion, exorbitant prices may be named for said classes. It is believed that in the case of certain contracts where enormous prices were obtained, such wrongful advantage must have been employed.)

All bids containing erroneous computations, omissions of prices for any articles, figures or writing in pencil, or having other suspicious appearances or

informalities, should be rejected.

(Bids have been received containing several arithmetical errors, but all against the government; wherein, while prices have been exorbitant, the extensions have been minus, and the aggregate the lowest. It is a discreditable fact that such bids have been actually executed in contract. Ordinary mathematical calculations, in private life made sure with the grocer and baker, have passed the inspection and notice of government offices, grossly erroneous; the result of these errors being in such loss to government and such gain to the contractor as to suggest that they could not have been in all intents MIS-calculations.)

The opening of bids should be at a continuous sitting if practicable.

If adjournment be necessary, unopened bids should be secured from inspection of all parties in the interim.

Examination of computations and forms should be made only in the offices of the department; and for no purpose whatever should bids be removed therefrom until contracts have been executed.

(Instances have been remarked where bids for different yards have been taken by clerks to their homes for examination; doubtless an arrangement made with

legitimate intent, but plainly offering opportunity for wrong.)

These details are by no means over-cautious in transactions which involve not only large expenditure of money, but the good faith of government toward the people. Officers who have in charge such important business interests should not be satisfied merely with their own belief that there is no wrong committed. They should be eager to arrange evidence for the public, that no wrong can be committed.

The act of Congress of March 3, 1863, expressly provides that "no bids having nominal or fictitious prices shall be considered."

As above stated, this legislation effected such reform that "fictitious prices" have almost entirely disappeared.

This term (somewhat anomalous) is interpreted by the bureaus as meaning

prices that are very much less than standard market values.

There are two or three contracts of the present year, by which articles (in one case of very great importance, and capable of adulteration) are contracted for at less than two-thirds the ready cash market value.

The question naturally arises, Was the provision of law above quoted strictly

applied in these instances?

Distrust of scrupulous adherence to the law tends to discourage reformatory.

legislation.

The honorable Secretary, in his report, states that "the law permits no alternative but the acceptance of the lowest offer, regardless of the individual who makes it, or the devices he practices." This was the case before the enactment

of the present law. It would appear that the restriction of the act above named, and other of its provisions giving liberty to chiefs of bureaus to reject the bids of certain parties, escaped his attention.

Guarantee of fairness in the opening of bids and award of contracts being as-

sured to the merchant, he necessarily inquires —

Secondly. Are the schedules of merchandise for which bids are invited suffi-

ciently explicit in the description of merchandise to be furnished?

If they are not thus explicit, prudent merchants will be cautious of committal to indefinable risks. Schedules as published for the various yards have been faulty in this respect.

To illustrate—an item in one class, as advertised (1863-'64) was for—

and 87 gross brass screws assorted numbers and sizes.

The difference to the merchant as to what might be demanded, under this de-

scription, is not less than \$2,500.

In another class, 30 gross of files were described as to size and kind. The remaining item was 40 gross rat-tail files, assorted; on which demands might

be made differing in cost \$1,000.

It must be practicable to estimate more precisely than in these instances the description of materials to be required. The ship-carpenter is aware of the sizes (not many) necessary for composition work, port lights, &c.; and the joiner also of those required for cabin trimmings and furniture. A definite quantity can be stated for sizes known to be required; the additional demand for contingencies being left to open purchase. Sizes were thus given in detail, at that date, for the Washington yard.

When specifications for the building of engines for a steam frigate can set forth details of measurement from the diameter of a cylinder to that of a bolt, and of articles to the precise number of oil-feeders and coal-shovels, it would seem that an accurate estimate of other details in the construction and equipment of

the frigate is not an impossibility.

Fairness as to award of contracts and schedules of merchandise in specific quantities, distinctly described, being assured, one contingency remains against a general competition for the sale of supplies to the department, as follows:

Thirdly. Is the system for the receipt of merchandise so systematically pro-

tected that government cannot be defrauded in quantity or quality?

This is a question vital to the interests of the government under any system of purchase. No fairness of price, no high standard of quality, can compete against the fraudulent collusion of dishonest traders with weigh-masters and receiving clerks.

Suspicions have long existed as to the prevalence of this style of robbery in navy yards. Indeed, it is frequently remarked, as an irremediable evil, that government must be robbed to some extent in the delivery of merchandise; because it is inevitable that there will be some dishonest men. Yet because of this extraordinary exposure to wrong, extraordinary protective and detective measures are demanded at the hands of executive officers in the departments. A system should be devised so thorough in its checks and counterchecks, that rogues cannot disarrange its machinery without being caught in its traps.

I do not hesitate to state as my belief, based upon unusual facilities for judgment, that there is not at present a system in navy yards sufficiently protec-

tive against short weights and measures.

Doors are open which should be closed and doubly locked.

There are means for the perpetration of this wrong, without and beyond the knowledge of the naval storekeeper, who may be honest meanwhile in the exercise of his functions. I am aware this is an important statement. It is made in full conviction of its importance and its truth.

It must be entirely practicable to remedy all exposure to this evil, and, through enterprise and ingenuity, not only to devise an effective system of protection against fraud in the delivery of merchandise, but to insure its faithful execution.

An eminent house in this country merchandises annually to an amount equal to half the entire appropriations for the Navy Department for 1861-'62. It employs hundreds of persons in contact with its property. Yet doubtless the vast amount of merchandise is protected by system in its movements, from the purchase of cases of silk to the sale of a spool of cotton.

The Bank of England, in its internal administration, is like an apartment walled with mirrors; each action therein is reflected in various directions to the

observation of others, as honest or dishonest.

When the Navy Department is developed upon so vast a scale as to require an appropriation for \$140,000,000, like precision in system will be required to afford protection to government. As additional security to the present system, I venture the suggestion that there should be in every navy yard a

naval store receiver, as well as naval storekeeper.

These officers should be of equal rank, and should receive the same emolument. The receiver should be a sworn and bonded officer, for the faithful execution of his trusts. He should have been previously a practiced measurer, weigher, and gauger. He should be in the yard during the usual working hours. He should maintain a record at the gate of the number of loads of merchandise and material passing through in either direction, with memoranda giving general description thereof. He should keep permanent records also of all weights, measures, gauges, and computations. Employés of the naval store-keeper should verify the accuracy of these records jointly with the receiver; and countersign his certificates thereof.\* These certificates should then be placed on file as vouchers for the merchandise to the debit of the storekeeper's stock on hand.

Furthermore, the regulations for navy yards require that the navy agent shall be responsible that merchandise due on contract is "forthcoming." At present there are no facilities afforded him for knowing that it comes at all. He has no record of its receipt until vouchers for the payment for the merchandise are forwarded to his office for requisition upon the treasury.

In the case of open purchases, he is obliged to approve bills in the first

instance without knowledge of the delivery of the merchandise.

Upon the system above mentioned, duplicate receipts can be sent daily by the receiver to the navy agent for his evidence prior to the approval of original invoices.

It is not supposed that the office of receiver would hold any relation to the important duty of inspection as to quality. This service should be required of the proper officers in each department, as experts, and who should be held severely reprehensible for any negligence or unfaithfulness.

When such reforms as these, above detailed, are applied in the administration of the bureaus and at the yards, it will be difficult to show objections to a contract system, or opportunities for fraud in purchases by either contract or

open purchase.

It is possible that the suggestions herein submitted may be regarded as

intrusive by some to whose official functions they have special relation.

Yet it may without presumption be assumed that the business transactions with the department of the house of which the writer is a member, amounting to more than a million of dollars, and demanding of him during two years

<sup>\*</sup>The Bureau of Ordnance recently directed that all metals purchased for its use should be weighed in the presence both of the master machinist and an ordnance inspector. It is hoped this will prove an initiatory measure for the duplicate verification of all weights and measures.

almost daily visitation of the workshops and offices of the navy yard, involving the supply of a great variety of articles entering into consumption and use throughout the mechanical departments and on shipboard, ought to have furnished to a merchant facilities for judgment as to the system in practice entitled to some consideration.

Faithful officers of the government who would vigilantly guard its interests and exact its claims will invite the thorough scrutiny and welcome the respectful suggestion of citizens, as zealous as themselves for the welfare of govern-

ment, and contributing, perhaps, as much to its support.

An ex-President of the United States has said: "It is a condition for the enjoyment of liberty that our rulers be narrowly watched. It can never be long preserved without popular jealousy. It is a maxim of despots that the

people should never inquire into the concerns of government."

Transactions with government have been subject to such general suspicion that merchants sensitive to their good name are reluctant to engage in them, exposing themselves to disparagement and scandal. Yet shall those of the mercantile community who would maintain their own integrity abandon the competition? Or shall they enter the lists, to strive against temptation to themselves and for its removal from others?

The case seems to be this: rogues, as may be expected, approach government for business. Executive officers are not sufficiently expert for their detection; therefore, all who solicit government patronage are under distrust and

suspicion.

Again: it is not through the dereliction of citizen contractors alone that government may be defrauded. Evidence is on record that government employés, either by mal-intent or through inadvertence, have been as greatly in fault. Results may be known outside of government offices which are individual secrets within them.

The honorable the Secretary of the Navy, in his last report, says: "When proposals are made to furnish the government with supplies at prices below the market value, as is done in many cases, the transaction indicates fraud"—a statement evidently just in the case of proposals for specific contracts; wherein there is no contingency for the delivery of greater or less quantities of certain articles, to the advantage of the seller. But did it not occur to the bureau whose contracts furnish occasion for this remark, that in such case it had written notice of intended fraud, the name of the party by whom, and the description of the article in which, the fraud was to be suspected? What greater facilities could be asked for the detection and punishment of fraud?

It has been necessary for the elucidation of opinions herein expressed to discuss the efficiency and accuracy of bureau administration. Yet the writer would by no means disparage the great ability and zeal of the chiefs of bureaus in behalf of the national interests in their charge. The venerable senior among them long ago attested by his valor his devotion to the honor of his country. Their labors must have been arduous and excessive in the construction of an immense navy with unprecedented rapidity, and its employment with unsur-

passed results.

Yet it may be questioned whether it is practicable for them, amid absorbing scientific investigations as to efficiency of ordnance, construction of monitors, improvements in engineering, also efficiently to superintend, as is proposed, great expenditures for supplies. Their vocations have necessarily left them untrained in mercantile usages, and unskilled in acuteness to detect the stratagems of the trading world. While, in compliance with your request, and under impression of the importance of the subject, I have frankly advocated amendment in details of administration, it has been without the least impulse of disrespect for officers of the government or the disparagement of their services; but

for a record against evils from which the business world believes our govern-

ment to receive material injury.

We improved the earliest opportunity after apprehending the evils of the contract system (in 1861) to expose them to the department, remarking, "We shall be glad to aid any effort to replace it by one more distinct in its demands upon the seller of merchandise, and therefore far more agreeable to those who would be honorable competitors for government patronage."

It was a gratification that opportunity occurred to press legislation for this purpose, and that reform was accomplished. During the subsequent period, as observation informed of remaining facilities for wrong, impatience has been

felt for their removal.

At a time when our government is engaged in an exhaustive struggle for life, I have been compelled as a citizen to urge its protection against unfaithfulness in its service and fraud by those enjoying its patronage.

I remain, sir, most respectfully, your obedient servant,

FRANKLIN W. SMITH.

Hon. E. L. NORTON, Navy Agent.

# Letter to the Secretary of the Navy.

Washington, December 29, 1863.

SIR: I have the honor to submit to your consideration herewith a paper concerning the system of purchase and inspection of navy supplies, prepared at the request of the navy agent at Boston for the commissioner of the naval code.

My former suggestions upon this subject (kindly honored by your ready and candid hearing) were in advocacy of a limit of contracts by law to specific quantities—a reform subsequently effected by the act of Congress of March, 1863, and by which some of the prominent abuses of former years were removed.

I am thus encouraged to solicit your attention to a statement of evils yet existing in the system or its administration, of which I have been informed necessarily in the course of business experience with the department.

I remain, sir, respectfully, your most obedient servant,

FRANKLIN W. SMITH.

The Hon. SECRETARY OF THE NAVY.

# Letter to Chiefs of Bureaus.

Boston, January 2, 1864.

SIR: The accompanying paper, concerning the existing system for the purchase of naval supplies was prepared for the commissioner of the naval code, in compliance with his request, as expressed to the navy agent at Boston.

The prevalent distrust of mercantile transactions with the government cer-

tainly demands all possible effort for its protection.

In confidence of your eager interest in legislative or administrative measures promotive of this object, those which have been suggested as expedient during my business relations with the Navy Department are respectfully submitted to your consideration.

I remain, sir, your most obedient servant,

FRANKLIN W. SMITH.

Rear-Admiral Joseph Smith,

Chief of the Bureau of Yards and Docks.

The paper was also enclosed to the chairmen of the Committees on Naval Affairs of the Senate and House of Representatives, and to the chiefs of the Bureaus of Construction, Steam Engineering, Ordnance, Provisions and Clothing, Equipment and Recruiting, Navigation, and Medicine and Surgery.

Letter to the Secretary of the Navy, with an analysis of certain contracts of the Navy Department, as appendix to paper addressed to the commissioner of the naval code.

[Privately printed for the Secretary of the Navy and the Committees on Naval Affairs of the Senate and House of Representatives.]

Boston, January 29, 1864.

SIR: In the communication to the commissioner of the naval code, copy of which I had the honor to address to you on the 29th ultimo, reference was made to the erroneous computations and enormous prices of certain contracts by which

it was believed that the government had suffered loss.

At that time the statement was fully warranted upon the personal knowledge of the writer. The suggestion of the existence of such wrong to the department was supposed by him to be the entire fulfilment of his duty. Facts which have subsequently been made public compel him now, in faithfulness to the country and to himself, to place before you a more distinct statement of the case.

The Boston Journal recently published a copy of one of these suspicious contracts—that, wherein \$150 per dozen were obtained for wrenches worth \$10 to \$15 per dozen. The writer proceeds to explain the transaction, "in justice to the Navy Department," as attributable to the system (formerly existing under law of 1855) of bidding at high prices and low prices, according to the quantities likely to be required. This theory was probably accepted from the speech of Senator Grimes, (Cong. Globe, Jan. 9,) but is altogether erroneous; since all the prices were exorbitant, and the quantities limited under the act of March, 1863.

It was also asserted that the bid was a fair specimen of the bids for every contract; when, in fact, the contract mentioned (and others on record as bad)

is exceptional, extraordinary, and must have had a peculiar history.

No such bids were ever made by Smith Brothers & Co. No such contracts have been made for the Charlestown yard during the present administration.

The "analysis of certain contracts," accompanying this communication, reveals that upon awards of contracts to four or two parties, in March, 1863, amounting to \$96,144 03, \$28,091 06 were realized above ordinary prices; that \$4,476 99 were lost to government by erroneous computations; and also strong evidence of the reprehensible means through which such excessive profits must have been secured.

It is due to the department and other bidders that it should be stated that the above mentioned are all or nearly all of such wrongful contracts obtained; that competition limited the wrong; that, as the result of your protective measures in June, the repetition of such operations was restrained; and that these discreditable bargains are by no means fair specimens of the contracts of the department for the past year.

On the contrary, many of the contracts for 1863, especially those for the Charlestown yard, are very favorable to government, owing to the late advances upon the value of merchandise. Smith Brothers & Co. are furnishing iron at \$90 to \$95, worth \$110 to \$120. All other metals and manufactures of metals

have advanced in like ratio to their contract prices.

Yet some contracts have appeared in the reports of the bureaus of an unprecedented character. The only explanation for them yet made to the public is incorrect; in fact, their peculiar history is as yet a secret. In the absence of authentic statements, false and exaggerated theories are applied; scandal be-

comes excessive and wide-spread. Suppressio veri, suggestio falsi.

It is especially unjust that merchants who have had no part in wrongful acts should be defamed in mass with those who have committed them. If obloquy is to be scattered broadcast over all concerned with government, because of the dishonor of individuals; if integrity is not to be recognized when found, and vindicated from undeserved suspicion and reproach, the business of the nation will be yielded entirely to those who care not for reputation, having none to defend.

We are not willing to share with others, in the least degree, the imputations of wrong in our relations to government, but will rather make an effort to place

the discredit where it belongs.

Upon our first movement for navy business, in 1861, we were repelled by records of the absurd bargains published in the reports of previous years. We were obliged to follow precedents established, under the law, or retire from the competition. The evils existing could only be apprehended by tracking them over forbidding ground. We vigorously joined in the raid upon them, by which the most prominent of those evils were remedied.

During the period when contracts could only be obtained by calculation as to quantities instead of values of merchandise, and consequently by bids of anomalous prices, we improved an opportunity to demonstrate by figures to the Bureau of Yards and Docks that the average per cent. of profit to us did not exceed or equal a fair mercantile rate. We invite, and will aid in like manner, the utmost

scrutiny of all our transactions with the department.

The files of the bureaus, and the testimony of members of Congress from Massachusetts, will witness that we have advocated the remedy of abuses at once upon their discovery. The following pages will discover an onerous task assumed in this service. The writer, exempt from the present draft to military service, physically and by age, has induced a recruit to represent him in the field, with an able body, six feet and one-half inch high. But he finds yet another national duty devolving upon him, requiring as great strength of purpose, if not of muscle.

In full confidence of your eager desire for the detection and remedy of abuses in the administration of the Navy Department, and realizing that amid your most arduous and important services for the country you must necessarily be uninformed of such statements as are annexed, they are respectfully submitted

to your consideration.

I remain, sir, most respectfully, your obedient servant,

FRANKLIN W. SMITH.

Hon. SECRETARY OF THE NAVY.

## APPENDIX.

All bids containing erroneous computations, omissions of prices for any articles, figures or writing in pencil, or having other suspicious appearances or in-

formalities, should be rejected.

(Bids have been received containing several arithmetical errors, but all against the government; wherein, while prices have been exorbitant, the extensions have been minus, and the aggregate the lowest. It is a discreditable fact that such bids have been actually executed in contract. Ordinary mathematical calculations, in private life, made sure with grocer and baker, have passed the

inspection and notice of the government offices, grossly erroneous; the result of these errors being in such loss to government and such gain to the contractor as to suggest that they could not have been, in all intents, miscalculations.)—Paper of F. W. S., for commissioner of the naval code, p. 4.

# STATEMENT No. 1.

Erroneous computations in certain contracts the cause of loss to the government.

CORRESPONDENCE CONCERNING THE FIRST OF SUCH ERRORS DISCOVERED BY SMITH BROTHERS & CO.

Boston, April 16, 1863.

SIR: We have seen a copy of a contract for class "R," in the schedule as recently advertised, which has been executed between the bureau and Mr.—, of New York, in which the prices set against the articles are respectively as in the statement annexed.

As the prices of our bid (at which we are prepared to execute the contract) aggregate six hundred (600) dollars less than the correct total of Mr. ——'s bid, we claim that the contract with him should be annulled and a new contract

executed with our house.

Allow us to suggest whether similar discrepancies in addition of other bids may not have affected, in like manner, other contracts.

We are your most obedient servants,

SMITH BROTHERS & CO.

# B. F. ISHERWOOD, Esq., Chief of the Bureau of Steam Engineering

Chief of the Bureau of Steam Engineering, Washington, D. C.

# COMPARISON OF BIDS.

·										
•	P	Prices of co	ontract wi	th		Con	rrespo Smith	nding price Bros. & Co.	e of	
1,000 lbs. nuts	\$0	15 (!)	\$150	00	4		10	\$100		
200 lbs. packing		70 (!)	140	00	, i		60	120	00	
200 lbs. emery		20 (!)	40	00			8	16	00	
20 reams emery cloth	40	00 (!)	800	00	6	20	50	410	00	
20 hydrometers	1	50 `	30	00	,	1	50	30	00	-
300 lbs. mercury	1	25 (!)	375	00			75	225	00	
25 thermometers	1	(	37	50		1	50	37	50	
25 thermometers	1	50	37	50		1	75	43	75	
3,000 lbs. waste	•	35	1,050	00			40	1,200	00	
50 flue brushes	2	00	100	00		1	.50	75	00	
50 flue brushes	3	00 (!)	150	00		1	00	50	00	
					,					
As added			1,910					2,307	25	
As should be added			2,910	00	4					
					\$2,910	0	0			
					2, 307	2	5			
							_			
Smith Brothers & Co.	's bio	d less b	y		602	7	5			

NAVY DEPARTMENT,

Bureau of Steam Engineering, April 18, 1863.

GENTLEMEN: Your letter of the 16th instant is received, and its subject-matter will be referred at once to the department. You are not, however, the next lowest bidders.

I am, very respectfully, your obedient servant,

B. F. ISHERWOOD,

Chief of Bureau.

Messrs. Smith Brothers & Co.,

Boston

NAVY DEPARTMENT,

Bureau of Steam Engineering, April 21, 1863.

Gentlemen: The proposal of the lowest bidder for class R, at the Charlestown yard, having been rejected as a "nominal bid," your proposal has been accépted, and contract is this day forwarded to the navy agent at Boston, which you will please execute at your earliest convenience.

I am, very respectfully, your obedient servant,

B. F. ISHERWOOD,

Chief of Bureau.

Messrs. Smith Brothers & Co., Boston.

As may be observed in the first of the above letters, the suggestion was made "whether similar discrepancies in addition of other bids may not have affected, in like manner, other contracts."

It was hoped that a recasting of figures would be ordered to detect all such mis-calculations, if they existed. Yet such cursory examination of the report of the Secretary of the Navy as the writer has been able to make reveals more of this arithmetic, so unlucky for the country. If the contracts were published with the computations, the investigation of the matter would be facilitated. No mistakes will be found in the bids or contracts of S. B. & Co., although the latter alone have been to the extent of eighty folios.

Erroneous computations in certain contracts under advertisement of February 13, 1863.

## BUREAU OF CONSTRUCTION.

CLASS 33.--HARDWARE.--D, OF NEW YORK, FOR PHILADELPHIA YARD.

Bids: D, of New York. \$10,444 55 Grove & Ambruster: 11,738 64 C, of New York. 14,038 20 Charles McGriskey. 10,480 54

This contract with D, of New York, correctly computed, amounts to \$12,444 55. It should, therefore, have been awarded to Grove & Ambruster, or Charles McGriskey. Difference against government, \$1,964 01.

\$12,444 55 paid by government for the merchandise.

Next lowest bid.... 10,480 54

1,964 01 realized by D, of New York, by unfortunate (!) arithmetic.

CLASS 41.—GLASS.—WITH A, OF NEW YORK, FOR NEW YORK. Report, p. 886. As stated in scale of bids......\$1, 278 65. Correct computation.....\$1, 478 65.

CLASS 39 LINSEED OIL, &cBY B, OF NEW YORK, FOR PHILADELPHIA YARD.
Bidders: Simes & Son
Burnet Forbes
D, of New York 4, 724 00 B, of New York 4, 106 00 C, of New York 4, 474 00 Vide Report, pp. 870, 892.
C, of New York
The correct computation of the contract published is \$2,918. Reference to the actual contract must be
had to explain discrepancy.
CLASS 41.—WITH A, OF NEW YORK.—GLASS.—WASHINGTON YARD.
As stated in bids, Report, p. 871
Correct computation, Report, p. 897
BUREAU OF ENGINEERING.
CLASS F, BROOKLYN.—TOOLS FOR ENGINEERS.—D, OF NEW YORK.
ONLY BIDDER D, of New York, \$1,920 25. Report, p. 974.
The contract, as printed, correctly computed, is \$1,623 25. Report, p. 979.
Making two chests of tools, complete, \$150, instead of \$1 50, the contract will add \$1,920 25. \$150 for engineers' chests is an enormous price; \$25 to \$50 will furnish all that is wanted. In Charlestown
the article required cost \$24 each.
Realized by D, of New York, on one item, \$200 above fair price; only bidder.
CLASS R, BROOKLYN.—C, OF NEW YORK.
Bids - Zeno Secor \$8 221 745
D, of New York 8, 794 05 Report, pp. 974, 981. C, of New York 7, 801 66
C, of New York
The contract, correctly computed, amounts to\$8, 497 54  And should have been awarded to Z. Secor for 8, 221 74
1
The government loses
Separate de la constante de la
CLASS 33 X, BROOKLYN.—HARDWARE.—B, OF NEW YORK. Report, pp. 974, 983.
Bidders: D, of New York\$1,546 25) As printed, correct computation is \$1,359 20.
C, of New York
B, of New York
CLASS R.—SHIP CHANDLERY.—WASHINGTON.
ONLY BIDDERS: C, of New York
Correctly computed, as printed, it amounts to\$10,752 00
Next lowest bid
Difference
The state of the s
Not many of the contracts with other bureaus, and at other times, have been computed by the writer.
CLASS 23.—YARDS AND DOCKS.—BROOKLYN.—BELTING, ETC.
Contract with D, of New York.
Bids: D, of New York
Correctly computed, the contract is\$7, 071 80 The next bid is
Therefore government suffers loss of
In cases like the above, the prices obtained having been excessive and unreasonable, ought not the dif-
ferences to be demanded of the parties?
$\{D, \$1, 964, 01\}$
ferences to be demanded of the parties?  The losses to government, so far discovered, are by  The losses to government, so far discovered, are by  D, \$1,964 01 C, 275 80 A, 795 00 D, 839 43 Like error of D, of New York, previously discovered by S. B. & Co. 602 75
D, 839 43)
Like error of D, of New York, previously discovered by S. B. & Co. 602 75
4, 476 99
Sufficient to pay a year's salary of a competent clerk in each bureau for the special purpose of examining computations.

computations.

# STATEMENT No. 2.

Bids should not be indorsed with the numbers of the classes named within

(From such indorsements it may be learned, by clerks, that there are no bids Rep. No. 99——3

for certain classes; and, through collusion, exorbitant prices may be named for said classes. It is believed that in the case of certain contracts where enormous prices were obtained, such wrongful advantage must have been employed.) (Paper for Commissioner of the Naval Code, p. 3.)

Results may be known outside of government offices which are individual

secrets within them. (Vide paper as above, p. 10.)

Extract from section 2 of the joint resolution regulating contracts with the Navy Department, approved March 3, 1863.

"And be it further resolved, Every contract shall require the delivery of a specified quantity, and no bids having nominal or fictitious prices shall be considered.

"That if more than one bid be offered by any one party, by, or in the name of his or their clerk, partner, or other person, all such bids may be rejected."

An analysis of certain contracts and bids with the bureaus for the year 1863 will show that parties A, B, C, D,\* of New York, obtained contracts of a most extraordinary character, involving great loss to the government. where there was but one bidder, the national treasury suffered severely from the lack of competition. That where only A, B, C, and D were bidders, the prices scale upward in the most remarkable manner, from a high starting point. That, in contrast with this, when competition appears from parties other than A, B, C, and D, with a marvellous intuition, one or more of A, B, C, and D moderate their views of the value of merchandise—approximating the judgment of the outside competitor, and frequently underbidding him altogether.

That when in June a more active competition was aroused, A, B, C, and D were found competitors in almost every class at prices as extraordinarily low

as in February they were extraordinarily high.

Without further comment upon the developments in the following pages, it may safely be said that they demonstrate that certain bids and contracts, very peculiar in their character, must have had a peculiar history; that it is against probability to maintain that such bids and such awards could have been originated and consummated upon the judgment of any men in entire ignorance of the competition to which they were to be subjected.

Theories so self-evident as to be accepted as conclusions have been rife in

the business community wherein there was knowledge of these contracts.

Now, by the publication of the bids and contracts in full, the veil of obscurity covering these transactions is so thin as transparently to reveal their wrong.

It will not be believed that such a series of erroneous computations and exorbitant bids could or would have been attempted without encouragement of im-

punity for the former, and evidence of opportunity for the latter.

This essential assistance must have been found within the bureaus. "ring" entered the offices of the department in its circuit. Some parties in the

interest of A, B, C, D, had the keys of the drawers of the bureaus.

<sup>\*</sup> It will throw additional light upon the scheme revealed in the subsequent pages to state that the parties A and D, of New York, if not partners in fact, have been intimately connected in business in New York, occupying the same premises and counting-room; and that C, of New York, "acted as agent for" A, of New York, "contractor."

That C had a power-of-attorney filed at Portsmouth, "made by" A, "dated December 30, 1862," "to receive, sign, and collect all approved bills and moneys on my contracts for the year ending June 30, 1863." Requisitions were made upon C, attorney; therefore, vouchers in the bureau where his bids were received must have been evidence of his being agent for A. Thus, A, C, and D were probably one party. Ought not all their bids to have been rejected, as provided by act of Congress of March 3, 1863?

# Analysis of certain bids and contracts under advertisement of Feb. 13, 1863.

## BUREAU OF CONSTRUCTION.

#### CLASS 31 .- ZINC AND TIN .- KITTERY YARD.

Bids: A, of New York	\$11,860 00)	•
B. of New York	12,700 00 Report of	the Secretary of the Navy, page 866.
C, of New York		, , , , ,

# Contract with A, of New York. Report, p. 874.

100 lbs. antimony, 20 cents per pound.	\$20 00	Fair market price, 18 cents	\$18	00
4,000 lbs. sheet zinc, 18 cents per pound.	720 00	{ Bid by Smith Brothers & Co., at same date for Charlestown, } 15 cts	600	00
3,000 lbs. Banca tin, 70 cents per pound. 3,000 lbs. slab zinc, 14 cents per pound. 10 boxes XX tin, \$20 per box 20,000 lbs. pig copper, 42 cts. per pound.	2, 100 00 420 00 200 00 8, 400 00	Dodo57 cts Dodo9 cts Dodo\$20.  Fair market price, 39 cents on contract time, making	1,710 270 200 7,800	00
	11,860 00 10,598 00		10, 598	00
Making	1,262 00	realized above market rates by A, of New	York.	

COMMENTS.—On class 25, iron, and class 26, steel, on which there was competition of other parties than the above, the bids of A, of New York, approximated fair market prices. Vide Report, pp. 866, 873.

The above statement should be compared with prices for-

#### CLASS 31.—ZINC AND TIN.—BROOKLYN.—B, OF NEW YORK.

Bids: A, of New York	\$4, 353 00 )
B, of New York. Burnet Forbes, New York.	3, 481 00 ( Bonort n 960
C, of New York	3,890 00)

## Contract with B, of New York. Report, p. 883.

2,000 lbs. sheet zinc, at	15 cents per pound.
10 boxes tin plate, IX, 10 by 14	at \$15 per box.
6doIXX, 10 by 14	
6doIXX, 14 by 20	
12do IC, 14 by 20	at 10 do.
4,000 lbs. Banca tin	
1,500 lbs. spelter solder.	
-,000 2000 NP	d

Aggregate.....\$3, 481 00
Burnet Forbes, \$45 less ...........3, 436 00, rejected as a fictitious bid.

45 00

COMMENTS.—Low prices rejected as fictitious. High prices, as in the above instance, and others for Kittery, not regarded as fictitious.

## CLASS 25.—IRON.—BROOKLYN.

Bids: A, of New York	
Bdo	16,060 00 Report, p. 869.
David W. Weiss*	16, 450 00

# Class 25.—Contract—Iron.—B, of New York. Report, p. 882.

Difference above fair price and price offered for Charlestown yard, on two sizes, and realized by B, of New York, \$3,250 00.

<sup>\*</sup> No such name as D. W. Weiss in the New York or Philadelphia Directory.

30, 000 . . . do . . flat . . . . . .

A and C, of New York, demanded yet higher rates, according to above statement of bids.

Yet on the next class—No. 26, for steel—B, of New York, obtains the contract at very low rates, against the competition of S. Mulliken & Co., steel manufacturers. How remarkable the *prescience* which enabled him to judge that no iron manufacturer or dealer would offer *iron* at less than twenty per cent. above ruling prices, but *steel* at market rates! Competition, so naturally to be expected, appeared in the Philadelphia bids.  $5,966\ 00\ 5,523\ 00$  Report, p. 869. Prices on contract.—Class 25.—Iron.—B, of New York for Philadelphia. Report, p. 888. Apparent result of competition; a liberal discount from prices for New

If B had bid for New York at same rates as for Philadelphia, the advantage to government would have been more than \$2,000.

do.

York.

#### CLASS 41.—GLASS.—NEW YORK.

## ONLY BIDDER: A, of New York, \$1,278 65. Report, p. 869.

Contract with A, of New York. Report, p. 886.

25. do       do       10 by 16       2         25. do       do       12 by 12       2         25. do       do       12 by 14       4         37. do       do       12 by 16       2         50. do       do       14 by 18       2         25. do       do       14 by 20       2         25. do       do       16 by 24       3	16 do. do. do. 20 do. do. do. 20 do. do. do. 20 do. do. do. 25 do. do. 25 do. do. 30 do. do. 25 do. do. do. 25 do. do. do. 25 do. do. do. 26 do. do. do. 27 do. do. do. 30 do.	
50 doz. hexagon deck lights, 3 in. 17 50 per dozdodododo	\$12 per do	z.
Total	65.	

Difference against the government realized by A, of New York, on two items in the above, \$635.

#### CLASS 41.—GLASS.—WASHINGTON.

ONLY BIDDER: A, of New York, \$592, as in statements of bids. Report, p. 871. As should be, according to the contract, \$652 50.

Contract with A, of New York. Report, p. 897.

50 lights, glass, blue, red, and green, at	\$1 50 each, worth	\$0 75
100 lights, window glass, 10 by 12	50 each, offered by same party, as above, at	16
75dodo12 by 18	60dodo(14 by 18) at	25
50dodo14 by 18	70dodoat	. 25
50dodo14 by 14	80dodo(14 by 18) at	25
75dodo13 by 16	90dodo(14 by 18) at	25
100dodo12 by 14	1 00dodoat	20
6 glaziers' diamonds	15 00dodoPortsmouth, at	6 00
	yyearduuruud sinde niidi	
Total	652 50 Total	247 00
	/	

The glass, etc., could have been supplied at \$247. Excess against government \$405 50, realized by A, of New York. But, on

#### CLASS 41.—GLASS.—PORTSMOUTH,

J. H. Bailey bid for A. of New York, bid for	\$518 00 \ Penert n 878
A, of New York, bid for	437 50 \ Report, p. 870.

#### Contract with A, of New York. Report, p. 876.

50 deck lights, 9 by  $3\frac{1}{2}$ , at \$1 each.
50 deck lights, 9 inch diameter, by  $1\frac{1}{2}$  thick, \$3 75 each.
100 port lights, 7 inch diameter, by  $1\frac{1}{2}$  thick, 2 00 each.

Compare with lenses 12 by  $1\frac{1}{2}$  inch at \$20, as above.

Remarkable! That the competition in Portsmouth should have been pre-supposed, with such diminishing effect on prices!

#### CLASS 28.—IRON NAILS.—BROOKLYN.—B, OF NEW YORK.

·Ridders ·	A, of New York	\$1,421 00 <b>)</b>
	B, of New York	
	C of New York	

In this contract \$400 are paid to B, of New York, on 14,000 pounds of nails, more than to Smith Brothers & Co., on like quantities of same description for the Charlestown yard.

# CLASS 33.—HARDWARE.—BROOKLYN.

# Class 33.—A, of New York, (only bid,) \$22,585 40. Report, p. 869.

Foot note states: "Rejected; prices too high." If the law admitted the rejection of this contract on account of excessive prices, it is to be regretted that the other contracts executed with this and other New York parties were not rejected for like reason.

It would be interesting to examine the bid, to judge of the prices which it was considered by the bidder as

preaticable to propose in a public competition.

# NAVAL SUPPLIES. CLASS 34.—TOOLS FOR STORES.—BROOKLYN. In this contract, largely assorted, 10 jack-screws are at \$120 each, worth \$20 each. Vide Report, p. 885. Realized by A, of New York, on this item, \$1,000. The relation of C, as agent, with power of attorney for A, at this time should be remembered; as, in fact, here would be on this class but one bidder. CLASS 33.—HARDWARE.—D, OF NEW YORK, FOR PHILADELPHIA. Bidders: D, of New York ..... 11, 738 64 14, 038 20 10, 480 54 Report, p. 870. Grove & Ambruster. H. J. Collins & Co C. M. Griskey.... The computation of this class (against the government to the amount of \$1,964 01) is remarked, p. 10. Analysis of prices of Class 33. Report, p. 889. On several articles the prices are enormous. Composition spikes, 50 cents and 40 cents per pound, worth 36 cents. In one case the price is printed \$5 per pound; it must be this is an error for 50 cents. Copper tacks 75 cents per pound, worth 58 to 63. Bross servers offered for Pourse 16. Difference against government on 5,000 pounds spikes, at 14 cents ..... 700 Realized by D, of New York, through unskilfulness (!) in computation...... 2, 430 Comparison of bids on white ash oars. Three competitors in one case; an only bidder in the other. Contract with George T. Vaughn. Report, p. 872. 4,800 feet best quality white oak oars, at 63-4 cents per foot. Washington.—ONLY BIDDER: A, of New York, \$1,200. Report, p. 871. Contract with A, of New York. Report, p. 894. 5,000 feet white ash oar rafters, at 24 cents per foot. Difference against government \$912 50, realized by A, of New York, only bidder. CLASS 31 X .- TIN, COPPER, &c. - BROOKLYN. C, of New York. 6, 692 50 Report, p. 974. Burnet Forbes 8, 765 00 B, of New York 6, 545 00 Contract.—Class 31 X.—Tin, Copper, &c.—B, of New York.—Brooklyn. Report, p. 983. 10, 000 pounds ingot copper, 40...do...4,000 00 Worth, at contract time...39...75...do...150 00 Worth, at...do...42... Worth, at contract time......39.. 3,900 00 200 pounds bolt copper, 6, 545 00 5, 964 00 At above fair prices, cost.... 5,964 00 581 00 Realized against government by B, of N.Y. Analysis of certain bids and contracts under advertisement of February 13, 1863. BUREAU OF STEAM ENGINEERING. CLASS A.—BOILER IRON AND RIVETS.—FOR KITTERY YARD. Contract with A, of New York, for Kittery Yard. Report p. 975. .....do.......81

At above prices, would cost...\$2,535 00

Total.....\$4, 227 50 2, 535 00

Difference realized by A against government. 1,692 50

QUERY.—If such prices made the bid \$4,227, what extraordinary prices must B and C have devised to make the iron cost \$4,980 and \$6,030?

COMMENT.—Under advertisement of May 23, 1863, the same party contracts to supply the same iron for 7½ cents per pound, and rivets at 10 cents per pound. Then there were other competitors than A, B, C, and D, of New York.

CLASS R.—SHIP CHANDLERY.—WITH A, OF NEW YORK, FOR WASHINGTON. Vide Report, p. 988.

ONLY BIDDERS: C, of New York.....\$9,957 00 Report, p. 975.

A, of New York..... 8,954 00 Erroneous computation; \$1,798 minus.

Correct computation.......10,752 00

In this case, as in others of like arithmetic, while prices are enormous the aggregate is minus. It is apparent, of course, that the articles, being delivered from time to time as required, at the prices set against them, the entire excess on said prices is received by the contractor, although the aggregate of the bid is lowest on the scale.

50 reams of emery cloth... at \$40 00 per rm.; contracted for Brooklyn, in Aug., at \$25 00

1, 000 lbs. cotton packing yarn, at 1 60 per lb.; ... do... do... in July, at 60

2, 000 lbs. oatmeal ... at 16 per lb.; ... do... Washington ... do at 09

500 lbs. brass bell-wire... at 75 per lb.; ... do... Brooklyn, at same time 30

100 lbs. copper bell-wire... at 80 per lb.; ... do... do... 50

100 lbs. steel bell-wire... at 1 50 per lb.: ... do... do... do... 10 worth about 30.

Difference against government on the above items, realized by A, of New York; A and C, his attorney, only bidders, \$2,265.

### CLASS A.—BOILER IRON.—PHILADELPHIA.

Bids: B, of New York. \$280 00 D, of New York. 394 00 C. M. Griskey. 300 00 C, of New York. 300 00

> Contract with B, of New York. Report, p. 984. 2,000 lbs. boiler plate, at 14 cents, worth 7\frac{3}{2}......\\$155.

> > \$280 00 155 00

Difference against government...... 125 00 Realized by B, of New York.

D asked the modest, yet cautious (!) fractional price of 19.70-100 cents per pound; C, of New York, 15 cents.

## CLASS A.—BOILER IRON TUBES, &C.—BROOKLYN.

ONLY BIDDER: D, of New York, \$21,612 18. Vide Report, p. 974.

#### Contract. Report, p. 978.

115,210 lbs. boiler plate, as per descrip	tion, 11\( \frac{8}{4} \) cents, \{ \text{price of C.} \}	E. Pennock & Co., same time, 7\(\frac{2}{3}\) cents. of New York, in May
2.000 feet lap welded boiler tubes	\$3 80 per foot*	say, 7 cents. 50 cents per foot.
300 lbs. brass tubes	50 per lb	say, 50 cents per lb.
25 sheets Russia iron		say, 25 cents per lb. say, 6 cents per lb.
		say, 6 cents per lb.
Total	\$21,612 18 At above pri	ces would cost\$10, 403 78

Remarkable! that such presumption as to opportunity should be successful! Fortuitous supposition! that neither Messrs. Pennock & Co., nor any other manufacturer or dealer, should compete against \$11,000 profit on \$10,000 worth of iron for New York!

## CLASS C.—BROOKLYN.—LARD OIL.

Contract.—B, of New York.—Brooklyn. Report, p. 979.

1,000 gallons lard oil, at \$1 40, worth \$1 10. Difference realized by B, \$300.

## CLASS C .- LARD OIL .- FOR WASHINGTON.

<sup>\*</sup> Price of same party for same article in May.—(See Report, pp. 1021 and 996, in competition with Morris Tasker & Co.)

## CLASS Q.—FOR PHILADELPHIA.—SPERM OIL.

Contract.—Class Q.—Sperm oil.—B, of New York, for Philadelphia.

Forbes did not bid \$1 70 as below for New York; and 1,000 gallons oil cost \$2 35 per gallon! C bid \$2 66 per gallon. Grisky bid \$3 per gallon; worth not over \$2 15. D bid \$2 40 per gallon. Realized by B above market rate on 1,000 gallons, \$200.

What remarkable coincidence of judgment with these four parties as to the absence of other competition in oil for Philadelphia, and the extraordinary prices each other would demand!

### CLASS Q .- SPERM OIL .- NEW YORK.

Bids: D, of New York	\$6,000 00)
Cdo	6,500 00
Cdo Burnet Forbes	4, 250 00 \ Report, p. 974.
B, of New York	4, 200, 00
2, 02 1,000 2011	

Contract.—Class Q.—Sperm oil.—Brooklyn.—B, of New York.

Burnet Forbes bid, per gallon .....

### CLASS Q.—SPERM OIL.—WASHINGTON.

Bids: C, of New York	\$11,000 00)
Ado	
W. A. Wheeler	12, 400 00   Report, p. 975.
B, of New York	9,760 00)

Contract.—Class Q.—Sperm oil.—B, of New York, for Washington. Report, p. 987.

4,000 gallons winter-strained sperm oil, \$2 44 per gallon!

C bid	North \$2 10 to \$2 15. Realized against government, above \$2 per gallon, by B, \$1,760.
-------	---

Result, where Forbes competed in New York: \$1 68 and \$1 70. 

CLASS F.—KITTERY.—THE WRENCH CONTRACT. Vide. Congressional Globe, January'9, 1864.

Bids: B, of New York	\$5, 039 00 )
A'do	4, 687 00 Vide Report, p. 973.
Cdo	
0	

Contract.—Class F.—Miscellaneous tools for engineers, with A, of New York.—Kittery. Report, p. 976. Date of contract April 7, 1863.

٠, ١	000 lbs. of cotton wiping waste,	80	cts.	per 10.,	\$1,600	00,	contracte	a for b	y Smith Bros	. &	Co	., for	
							Charles	town, s	ame date, at 4	Octs	. pr	. lb.	
	3 anvils, about 200 lbs\$50	00	eac	h	150	00	do	dó.	in July, at	\$30	00	each.	
	18 chopping axes, handled 3	00	66		54	00	do	do.	do	. 1	25	6 6	
	12 small axes 1				18	00	do	do	do		75	4.6	
	6 calipers 2	00	6.6						do		50	4.6	
,	6 dividers 2				12	00	do1	Kittery.	do		70	6.6	
	4 grindstones, 150 lbs 30	00	46		120	00	do(	Charles	towndo	4	50	6 6	
	6 hydraulic jacks	00	66		1,740	00	do]	Kittery.	do	. 83	20	6 6	
	4 scale beams								do		50	66	
	12 sieves 5	00	6.4		60	00	do	do	do	. 1	38	6 6	
	50 scoop shovels 2	00	6.6		100	00	do(	Charles	towndo		95	4.6	
	6 steel squares 2				. 12	00.	do]	Kittery.	do		75	"	
	6 iron squares 1								do		23	66	
	4 doz. Coe's monkey wrenches, 15 (	000	+ 66						\$15do		75	doz.	
	assorted.							10 in.	16 in.	b			
												_	

4,687 00 At above prices would cost...1, 592-84 1,592 84

20 sts north \$1 600 00 contracted for his Smith Prog & Co

Difference against government.....

\$2,094 16! realized by A, of N. Y.

## REMARKS.

Query.—With such marvellous prices for the lowest bid, what must have been the estimate of the competition by B & C, of New York? The theory of Senator Grimes upon this contract was entirely inapplicable. The contract was executed under the act of March, 1863, requiring the delivery of quantities specified—"no more and no less." The prices are all worthy of confederate markets. If not "fictitious," they were certainly "too high."

The senator argued that the contract was like those of former years, under the law of August 5, 1855; thus, "When the bidder comes to supply the government with the articles for which he has obtained a contract, he supplies only a few of those articles that are put in at a very small price, and a great many of the articles that are put in at a very large price. The government, by the law of Congress, (act of 1855,) is required to take the lowest aggregate bidder," &c., &c.

It will be seen that the argument was entirely irrelevant to the facts in the case; and it is hereinafter demonstrated that the practice of bureaus, as to the acceptance or rejection of bids, was quite to the contrary in certain cases.

# Bids rejected for fictitious prices.

#### CLASS 10 .- WHITE PINE MAST TIMBER. -BROOKLYN.

Bidders: Burnet Forbes	\$27,960 00 } Barrows = 260
James Bigler	2, 928 00 } Report, p. 809.
Forbes's bid was 732 inches, at \$30 per inch	\$27,960 00 \ Wide Banant n 001
Bigler's contract was 732 inches, at 4 cents per inch	2, 928 00 \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \

Forbes's bid being 7½ times Bigler's price, was sufficiently fictitious, certainly, for the rejection of his bid: yet the wrenches were contracted for at 12 times the price in other contracts, and boiler tubes at 7 times, &c. The "fictitious" criterion was not applied to wrenches and tubes; A and D were bidders.

## CLASS 38.—COLORED PAINTS.—DRYERS.—BROOKLYN.

Bidders: A, of New YorkBurnet Forbes	\$1,420 00 1,141 00 Rejected for fictitious prices.	-
C, of New York	1, 198 00 Contract, p. 886.	
3, 000 pounds lead, dry	20 do. do	14 16 1

Considering the many grades of colored paints, the above prices of Forbes's can hardly be considered fictitious, especially since in a contract awarded for Philadelphia, same class, (report, p. 892,) the chrome green was at 5 cents per pound; trebly as fictitious.

## CLASS 31.—ZINC AND TIN.—BROOKLYN.

Bidders: A, of New York	\$4,353 00
B, of New York	3,481 00
Burnet Forbes	
C, of New York	
,	
Contract, p. 883.	
2, 000 lbs. sheet zinc	Ti
&, 000 10b. SHOOT ZHO	Fordes oner 50 15
10 boxes tin plate, IX., 10 by 14 15 00 per box	do 15 00
10 boxes tin plate, IX., 10 by 14 15 00 per box	do 15 00
10 boxes tin plate, IX., 10 by 14 15 00 per box	do 15 00 do 17 00
10 boxes tin plate, IX., 10 by 14 15 00 per box 6 boxesdoIXX., 10 by 14 20 00 per box	do15 00 do17 00 do3 33\frac{1}{3}* do12 00

\*The price, \$3 33\frac{1}{3} per box, for tin, is evidently a fictitious price, and should have caused the rejection of the bid under the act of March 3, 1863. The difference from a fair price amounted to about \$100.

25 perl b.....do....,

1, 500 lbs. spelter solder.....

Yet, in class 25, for Washington, awarded to B, of New York, 10,000 lbs. round iron, 3½ to 4½ inches, were contracted at 2 cents per pound, market price being 5½ cents. Again the "fictitious" criterion is spared; fortunately for B.

# Decisions upon the acceptance or rejection of bids.

It has been stated, in explanation of the anomalous contracts above noticed, that the department "had no alternative" but to accept "the lowest aggregate bidder." In addition to the provision of the act of March, 1863, for the rejection of bids containing fictitious prices, the report indicates that ample authority was exercised in reference to some cases, which might have remedied the wrongs in all contracts.

Pages 868, 869, contain scales of bids, to which are appended foot notes as follows:

† Rejected for fictitious price. ‡ Rejected for fictitious bids.

§ No contract made; prices too high.

Here are rejections of bids for prices too high and prices too low. Yet,

A, of New York, had round iron for 6 cents per pound, p. 873; B, of New York, for 2 cents per pound, p. 888.

A, of New York, had lenses, 7 inches  $\times$  1½, for \$2 each; A, of New York,

21 inches  $\times$   $1\frac{1}{2}$ , \$20 each.

A, of New York, had Banca tin at 70 cents, p. 874; B, of New York, had tin at 58 cents, p. 883.

C, of New York, boiler iron at 11\frac{3}{4} cents, p. 978; A, of New York, boiler

iron at 16 cents, p. 975.

C. E. Pennock & Co. contracted for boiler iron at same date at fair price of

 $7\frac{3}{4}$  cents.

The oil contracts present the most remarkable fluctuations of prices, undisturbed by decisions as "fictitious" or "too high."

Contracts of B, of New York, for sperm oil, under advertisement of February 13, 1863.

Kittery. Charlestown. New York. Philadelphia. Washington. No contract. \$1 65. \$1 68. \$2 35. \$2 44.

MARKET PRICE FOR PURE SPERM OIL, ABOUT \$2 10 TO \$2 15.

Contracts with B, of New York, for sperm oil, under advertisement of May 23, 1863.

Kittery. Charlestown. New York. Philadelphia. Washington \$1 50. \$1 10. \$1 50. \$1 75.

What astuteness of judgment, by which this party swept all contracts again in June against forty-four bidders in the different yards, at prices as much

below as were had in February above market rates!

It does not appear that any of the bids of B, of New York, were rejected. Contracts were executed with him at fifty per cent. less than the market price, on a standard article like oil, as well as at fifteen per cent. above. Yet (p. 869) three bids of Burnet Forbes (representing, it is said, a party formerly connected with B in the oil trade) are rejected for fictitious prices; which bids otherwise would have taken the contracts, and wherein the prices are but from one and a half to five per cent. less than those of said B, of New York.

Statement of the aggregate loss to government upon the contracts analyzed.

Amounts of the contracts as awarded—

Excess in these contracts above market rates, or prices on other bids at the same time—

\$11,860	00	\$1,262	00—v. p. 18.
16,060	00		00—v. p. 20.
1,278	65	635	00
652	50	405	50
1, 370	00	400	00
4,807	20	1,000	00
1,200	00	912	50
6, 545	00	581	00
	50	1,692	50

\$8,054 00 \$2,265	00—v. p. 29.
	40!—v. p. 31.
280 00	00
1, 400 00	00
2, 350 00	00
9, 760 00	00 _
4, 687 00 2, 094	16!—v. p. 34.
96, 144 03 28, 091	06
Thus it appears that the government suffered, on awards of	\$96, 144 03
The amount of	28,091 06
And by erroneons computatious	,
Total	. 32, 568 05

The analysis above, with the statement of aggregate loss to government, all apply to the awards under advertisements of Bureaus of Construction and Engineering, of February, 1863, with the exception of one erroneous computation from the Bureau of Yards and Docks.

## AWARDS IN JUNE.

On the morning of the 24th of June, 1863, the honorable Secretary of the Navy, acting upon special information received, took prompt and judicious measures for the protection of an opening of bids to be made that day. Several mercantile houses of Boston were by mutual arrangement represented on the occasion. The opening was, according to their request, prosecuted through a continuous sitting. Bids were inspected, copies taken, &c., &c. The interesting revelations made at that time do not appear in the reports of the bureaus.

Incorrect arithmetic, to the disadvantage of government, (if executed in contract as in February,) had become contagious.

figured 10,000 lbs. round iron, at 4 cents, \$40 00 instead of \$400 00 30,000 lbs. round iron, at  $5\frac{1}{2}$  cents, 1,350 00 instead of 1,650 00 5,000 lbs. round iron, at 4 cents, 150 00 instead of 200 00 10,000 lbs. square iron, at  $4\frac{3}{4}$  cents, 40 00 instead of 475 00 100,000 lbs. flat iron, at  $4\frac{1}{2}$  cents, 4,000 00 instead of 4,500 00

Total of bid was, as read, \$17,082; as corrected in report, \$19,252 50, &c. Oil was caught and secured by government at a bargain, so far as price was concerned, as follows:

	Charle	stown.	Brook	klyn.	Philade	elphia.	Wash'	ton.
The price was in February	\$1	65	\$1	68	\$2	35	\$2	44
The price was in June		10	1	10	1	50	1	75
Price of next lowest bidder in June,	1	70	1	49	1	70	1	90

It is to be noticed from the scale that the price is not CARRIED UP to within two cents, three cents, and five cents of the next bidder, as shown in five cases in the analysis of the oil contracts. Pp. 32, 33.

But one additional illustration will be given. The lowest bid for the iron contract for construction was, as above shown, erroneously figured at \$17,082.

The next highest was executed with a false addition of \$1,000 against the government; \$17,830 instead of \$18,830, the correct total by the prices; this contract was afterwards cancelled.

It was not until inquiry concerning the contract by Smith Brothers & Co., by their letter of September 5, 1863, that the contract was awarded to them. This delay of nearly two months in the award of the contract would have warranted the refusal of the contract by S. B. & Co., as iron had advanced, involving a loss to government.

## CONCLUSIONS.

From experience and the above investigations the writer has been led to the

following conclusions:

1st. That the present system of contracts for limited quantities of merchandise, by awards after public competition, is practicable as fair and just for all concerned, provided it is administered faithfully, shrewdly, and accurately; while it is apparent that without faithfulness, shrewdness, and accuracy, any system may be corrupted.

2d. That all the safeguards advocated by the writer, to the commissioner of the naval code, for the protection of public biddings, are none too many or precise for the public good. Officers of government should not be satisfied merely with their own belief that no wrong is committed; but should be eager

to arrange evidence for the public that no wrong CAN be committed.

3d. The importance of a system for the duplicate verification of all weights, measures, and counts, by competent and responsible officers, as advocated to the commissioner, is fully demonstrated.

Extensive contracts having been made for a standard article, at half its worth, upon the general principle stated by the honorable Secretary that such bargains indicate fraud, the above recommendation has peculiar force.

Yet, without special occasion for suspicion, it is apparent that the weights of coal, iron, hemp, &c., in navy yards, should be subject to more responsible supervision than of one individual, receiving, say, \$600 per annum; that oils and other liquids should be gauged at once upon receipt within the gates; and that all weights and measures should be vouched for in duplicate, and permanently recorded.

It is believed that inquiry will reveal the absence of due precaution in this matter. If such is the fact safeguards should be temporarily supplied until a

secure system can be established by law.

4th. Adopting again the language of the previous paper, it may well be questioned whether it is practicable for chiefs of bureaus, absorbed with scientific investigations as to efficiency of ordnance, construction of monitors, improvements in engineering; efficiently to superintend, as is proposed, great expenditures for supplies. The above is additional evidence not only that they are unacquainted with market values, but that they are necessarily, by their vocations, unskilled in the stratagems of the trading world; and therefore it would be against the interests of the nation to commit entirely, as is proposed, to bureaus, close corporations, the control of an expenditure of, say, \$50,000,000 to \$75,000,000.

F. W. S.

## REPLIES OF THE BUREAUS.

NAVY DEPARTMENT, BUREAU OF YARDS AND DOCKS, February 11, 1864.

SIR: I have the honor to acknowledge the reference to this bureau of your letter of the 5th instant, covering a pamphlet published by Mr. Franklin W. Smith, of Messrs. Smith Brothers & Co., of Boston, alleging sundry errors in some of the bureaus, naming them, and objecting to the manner of conducting their business, with intimations of fraud on the government from neglect by its

agents.

In the "appendix" to Mr. Smith's letter it is stated that "bids have been received containing arithmetical errors, but all against the government." This statement upon first sight is calculated, and was doubtless intended, to excite suspicion, but a very slight examination of the matter will disclose the fact that if an arithmetical error is committed it must necessarily be against the government, for no arithmetical error can be made by which a contract shall be awarded to a person whose bid is really lower than the lowest bidder. Therefore there

is nothing remarkable that all the errors are against the government.

I observe but one error noticed in the pamphlet against this bureau, and that is for "class No. 23, for belting, packing and hose," for New York. 'On examining the original bid I find that the contract was awarded to C. W. Scofield, the error being for 1,000 feet of hose, at \$1 20 per foot, carried out \$1,200; in footing up the aggregate the figure 1, in the column of thousands, was omitted. This class was examined by chief clerk, Mr. Bronaugh, and afterwards by Mr. Merritt or Mr. Wall, (I do not discover which by the marks,) and the error not detected, and the contract awarded on the bid, which was \$839 43 over the next lowest bidder, Mr. Stover. I observe that the bid was added up by the bidder and noted in pencil, which seems to have been rubbed out and ink substituted.

I am exceedingly mortified that such an error should have occurred which bears on its face carelessness; but I am confident that no collusion or erroneous exhibit was intended by the clerks. I have the utmost confidence in the honesty and fidelity of these gentlemen; and, in explanation, I beg to remark that when the number of bids received by the bureau in June last is considered, it appears remarkable that even the Messrs. Smith Brothers & Co. have only discovered one arithmetical error in the computations.

There were in all 846 bids received, containing each from two or three to upwards of 340 articles in the class; many of the classes are long, contain a large number of articles, and these are generally the classes for which a great

many bids are received.

The season was far advanced and the bureau was anxious to have the contracts executed as soon as possible in order to save what little remained of the working season; the computation of these bids required no very extensive knowledge of mathematics, but did require much labor and patience, and I am surprised that no more errors were detected by this astute merchant in hardware.

(One error was detected by the bureau after the contract had been awarded, and the contractor was immediately notified that the class awarded to him should have been given to another bidder, which was accordingly done.)

The system of contracts under the laws is tedious and embarrassing, and in construing them difference of opinion may occur, so that the rule in making

decisions may not be uniform.

Congress has never passed the navy appropriation bill till the last days of the session, and seldom at the long session till after the fiscal year for which supplies are required had commenced. The law requires goods to be scheduled in classes, and afterwards advertised once a week for four weeks. It is impossible for the bureau to schedule for articles required to be advertised for before the appropriation shall have been made, because the objects under this bureau are so many and so various that no action can be taken till after the appropriation shall have been approved. After it is known what objects have been appropriated for, the bureau refers a list of them to the commandants of the different yards for schedules for what may be required to complete the objects named. It consumes weeks and sometimes months to obtain these schedules, so that the bureau has little time to revise them, and cannot correctly judge of their necessity; that must be referred to the yards. After these schedules have been received they must go to the printer for publication, proof-sheets all examined, which form quite a book, and when completed advertisements are issued for four weeks.

After bids are received they are opened in the presence of three persons, and with open doors for all persons who desire to be present. One person opens the bids, and this is generally done by myself, sometimes by the engineer of the bureau; another enters the number and name of bidder, number of class and articles bid for, and aggregate of each class, on a large sheet called the scale, (which was open to the inspection of bidders, and scanned very closely;) another clerk enters on the bid its number, number of class or classes, and bidder's name, also the same on the envelope. When this is done, two and sometimes three clerks are assigned the duty of examining each bid to see if the figures are correctly carried out and the aggregate correct, and then the bids are again computed when copied on the schedule to be attached to the

contract, and errors corrected when discovered during this process.

When bids are received, the date of reception is indorsed on the envelope and they are deposited in a trunk kept in my room, which is locked, the key put into my private drawer, and the key of that drawer carried in my pocket,

and the same care is taken with the bids at the close of each day.

When examining the bids, I directed three clerks to take them home to compute, to facilitate the work, keeping the scale in the trunk, so that no change could be made without discovery and explanation in comparing the bids with the scale.

I merely mention the *modus operandi* to show how much time must be occupied before contracts can be awarded and four copies of each made, which induces me to hurry forward the execution of the contracts to prevent large purchases being made in the mean time in open market by the navy agents.

Mistakes will occur, and in pushing the clerks to the utmost tension of their endeavors to complete the contracts, they are therefore more liable to mistakes.

You will bear me witness how ardently I have desired to break up the present system of contracts. The veil which covers the object and causes great competition for contracts is not transparent to all, as I believe in most cases it is, in reality, to obtain the orders for open purchases, which are given by the navy agents at Boston and New York, mostly to contractors. At New York they, seem to be divided among a few, which Mr. Smith designates as the "ring;" while at Boston Messrs. Smith Brothers & Co. appear to get the lion's share.

I know of no good reason, or even-a plausible one, why the navy agents should send orders for goods in open purchase to contractors, whether the goods required are in their line of business or not, without instituting inquiries of other parties dealing in the line of articles required. This practice I have in

vain endeavored to correct, as the records of this bureau will show.

The department directed inspectors of bills to see that the prices for articles procured in open market were fair. The action of the inspector at Boston the friends of Messrs. Smith Brothers & Co. have strenuously endeavored to defeat.

The assignment of contracts is forbidden by orders and by law; but agents

of parties obtaining contracts, not resident at the place of delivery, are required to appoint agents at such places of delivery, that they may be called on for supplies when wanted, and they, if having a power of attorney from the contractor, can receive the money on approved bills, in the name of the contractor.

Mr. Smith is certainly entitled to great credit for his patriotism in attempting to correct abuses in the Navy Department. He states in this pamphlet that he sent a tall soldier, six feet and one-half inch high, to the army to fight the battles of his country. This shows how his patriotism governs his actions over all other considerations. But, if the extent of a man's patriotism is to be measured by the height of the soldier furnished, Mr. Smith's patriotism is exceeded by one of the clerks in this bureau; for while Mr. Smith claims only six feet and one-half inch for his soldier, this clerk has furnished a man six feet

and three inches high.

Nearly all the safeguards advocated as reforms by Mr. Smith to the commissioner of the naval code are, if the orders of the Navy Department are adhered to, practiced. In this connexion it is remarkable that this reformer did not suggest some safeguards against imposition in the manner of procuring goods in open purchases. But the idea of not allowing an indorsement on a bid received of its number, name of bidder, and number of class, because the clerks will then know the bidder's name and class bid for, is simply ridiculous. How can the business be conducted, the bids scaled, scanned, and contracts made, without the knowledge of clerks? Though I keep the keys, as before stated, there is no clerk in this bureau whom I would hesitate to trust my keys with.

In the time Messrs. Smith Brothers & Co. have been contractors with the Navy Department, none have, as I believe, exceeded them in the number of fictitious bids, and none who have offered so large a class of goods at the higher

prices over the stipulated quantities in the contract at the Boston yard.

I undertake to say that neither this firm nor anybody else can execute the law of Congress approved March 3, 1863, (which Mr. Smith claims to have suggested,) to the letter, in all respects, if contractors are disposed to evade it. There are terms required which cannot be reached and executed to the letter. Since, however, the matter has been brought before Congress, in both houses, I desire to see a full investigation into the contract system and its operation, as well as to the manner practiced in open purchases; and that witnesses be summoned before the committees to show how the business of supplies is conducted at all the navy yards, that remedies may be suggested and applied to correct abuses and irregularities.

It will be singular if this faithful advocate of the government, in an amount of supplies of over \$1,000,000, (a usual mercantile per-centage on this amount alone would be a small fortune,) should be found free from selfish motives in

all his transactions.

I believe this house of Smith Brothers & Co. to be of respectable standing, and that they employ no means not considered, in these times, legitimate to obtain orders, but that they are free from the usual desire and thirst for gain I have yet to discover.

I am, respectfully, your obedient servant,

JOSEPH SMITH, Chief of the Bureau.

Hon. GIDEON WELLES,

Secretary of the Navy.

NAVY DEPARTMENT, BUREAU OF CONSTRUCTION, &c., February 14, 1864.

SIR: In compliance with your instructions in the letter of the 5th to explain the statements made by Smith Brothers & Co. in their printed pamphlet on the subject of naval supplies, it is respectfully submitted that, in—

Class 33—Hardware—Philadelphia—Mr. Scofield, contractor,

the computation was correctly made, amounting to \$10,444 55, as stated in the scale of offers, and the error supposed by Mr. Smith to have been made has arisen from a misprint in the public document.

Class 41—Glass—New York.—Mr. Savage, contractor.

There was but one bid for this class, and in making the computation, the results being placed in an independent column, an error was discovered. In copying for the printer, the clerk inadvertently took the contractor's extensions. There is no error in the contract, and no loss to the government can arise.

Class 39—Linseed Oil—Philadelphia.—Mr. Stover, contractor.

The correct computation of this bid is \$4,106, as stated in the contract, and the supposed error has arisen from a misprint in the public document.

Class 41—Glass—Washington.—Mr. Savage, contractor.

In this case, the extensions in the bid were examined and found correct. As there was but one bid, no particular attention was paid to the footing, as it formed no part of the contract, which was correctly awarded and executed. There can, therefore, be no loss to government.

The examination of the actual bids shows there has not been any loss to the

government, as Messrs. Smith Brothers & Co. have been led to suppose.

On page 42 of Mr. Smith's pamphlet he states that an error was made in the award of the contract for iron at the Charlestown yard. It was erroneously awarded on an incorrect aggregate; but when the error was discovered, the contract was executed with Smith Brothers & Co., to whom it properly belonged.

The bids, after having been opened and noted on the scale of bids, are placed in the hands of the chief clerk to have them verified, who has the aid of such of the clerks as can be spared from the regular duty of the office. Every bid is examined, and the aggregate of each class as entered on the scale of bids when opened is then corrected, if any inacuracy has been discovered, in order to ascertain the actual lowest bidder. It is not practicable at this distance of time to state by whom each bid was examined.

With regard to what Messrs. Smith Brothers & Co., on page 15 of their pamphlet, call an analysis of the bids, it has no practical application, and is unsound. Smith Brothers & Co. made no offer for the yards in question; but other parties did, and necessarily it could only be on their prices that, under the law, any award could be made. In what Smith Brothers & Co. call an analysis, they could have substituted any price they thought fit, and have brought out any result they might have desired, for their comparisons are altogether hypothetical.

In the case of class 33, hardware, New York, the bid of Mr. Savage, referred to on page 24 of the pamphlet, was the only offer, and being for a large amount, and nearly double the amount of the estimate from the yard, the department sanctioned that no contract should be made for that class. The bid of Mr. Burnett Forbes, which has a prominent place in Messrs. Smith Bros. & Co.'s pamphlet, is herewith annexed, and, in fictitous prices, it will be found to exceed those of the Messrs. Smith Bros. & Co.

The remarks of Smith Bros. & Co. in their analysis, regarding the varying rates at which contractors offer articles in their bids for the different yards, have some force, but they have not presented any analysis of their own bids, among which, in contracts for the year 1862-'63, are articles running thus:

34-inch staves at Charlestown,  $\frac{1}{8}$  of a cent.

32-inch staves at Portsmouth, New Hampshire, 10 cents.

32-inch headings at Charlestown,  $\frac{1}{4}$  of a cent.

Same at Portsmouth, 8 cents.

Barrel staves at Portsmouth, 4 of a cent.

34-inch round iron at Charlestown, 3 cents.

Same at Portsmouth, 9 cents.

Thimble iron at Charlestown, 7 cents.

Same at Portsmouth, 4 cents.

Hoop iron at Charlestown, 9 cents.

Same at Portsmouth, 3 cents.

Flat iron at Charlestown, 7 cents.

Flat hammered iron at Portsmouth,  $\frac{1}{4}$  of a cent.

Square iron at Charlestown,  $\frac{1}{4}$  of a cent.

Square cast steel at Charlestown, 14 cents.

Same at Portsmouth, 10 cents.

Round cast steel at Charlestown, 18 cents.

Same at Portsmouth, 25 cents.

Blister steel at Charlestown, 3 of a cent.

Same at Portsmouth,  $\frac{1}{4}$  of a cent.

Wrought nails at Charlestown \frac{1}{2} of a cent.

Same at Portsmouth, 4½ cents.

Clout nails at Charlestown, 11 cents.

Same at Portsmouth, 9 cents.

Lead pipe at Charlestown, 5 cents.

Same at Portsmouth, 15 cents.

Sheet lead at Charlestown, 15 cents.

Same at Portsmouth, 81 cents.

And there are many other such cases in their bids.

The practice of Smith Bros. & Co., in this mode of deceptive prices, renders them quite able, if disposed, to make their form of analysis, but the result, as

exhibited in page 40 of the pamphlet, is altogether deceptive.

On page 4 of Messrs. Smith Bros. & Co.'s pamphlet, letter to the Secretary of the Navy, they are understood to state that no bids at high and low prices were ever made by them, and no such contracts have been recently made at the Charlestown yard. In this assertion they cannot be sustained. In one of their printed pamphlets, which they have not included in this edition, they point, on page 12, with some complacency, to a comparison of one of their contracts for iron with that of one of their neighbors for the year 1861–'62; but if they had compared that of their neighbors for iron at the Charlestown yard with their own of 1862–'63, their neighbors would not have suffered much by the com-

parison.

Copies of Messrs. Smith Bros. & Co.'s bids for the Boston yard for the year 1862-'63 are herewith enclosed, which, in their analysis of the bids of that year, they have quite overlooked. It will be seen their bids run high and low; and class 30 has a "peculiar history," which they and the officers of the yard making the requisition could have given. The contract requires that not exceeding twice the face of the articles named may be demanded. The pig lead is at a \frac{1}{4} of a cent per pound, the pipe lead 5 cents, and the sheet lead 15 cents per pound. As Smith Bros. & Co. have not mentioned lead in their analysis, the true price cannot be stated, but it is presumed to be at an average of the full value with a profit. When only 4,916 pounds of the \frac{1}{4} of a cent lead had been delivered, bills were presented by them in the usual way for nearly seven times the face of the contract of the lead at 15 cents. The bill was stopped, and they were requested to take back the excess, which there was no authority to receive under the contract. This they refused to do, printed a

pamphlet, and were finally paid for the excess over the contract quantity at the rate of 11½ cents, which they represented to be the market price. It was with some distaste that they yielded up 3½ cents per pound on 65,000 pounds of lead, for they claimed and insisted that the contract would bear the construction of three times the face, showing quite a leaning then in favor of unlimited

additional quantities.

In their contract for class No. 33, hardware, at the Charlestown yard, there are numerous articles at one and two cents, evidently not their true value; but this is made up in other things, and among them, apparently, in brass screws, at \$4 50 per gross, amounting to \$225. Of these screws there was demanded from the contractors, and delivered by them, to the amount of \$2,880, and this was under a contract which only authorized the calling for \$450 in amount. Upon inquiry being made at the yard, it was found these screws were not then wanted, some of the vessels to which they were charged having been but just commenced. The proper quantities authorized by the contract were received at the contract price, and the remaining portion had to be paid for at the market rates; and in this way an open purchase was forced. I am not able to say whether, or in what way, or if at all, Smith Brothers & Co. were involved in this demand for this large amount of screws, but they were the only parties benefited; the government was a sufferer. They knew that no such quantities could be demanded of them on the contract, and what in this and the lead case above mentioned was their gain has been clearly the public loss, as shown in their mode of analysis. These facts are in striking contrast with, and direct opposition to, wishes professed and regrets expressed in the statement of Smith Brothers & Co., as given in their pamphlet of correspondence with the chairman of the Naval Committee of the House of Representatives, of February 10, 1863, pages four and nine, in which it is stated, "that the firm of Smith Brothers & Co., so far from being desirous to avail themselves, to their pecuniary advantage, of the evils of the contract system, improved their earliest opportunity, a year ago, to record with the Navy Department their regret that such evils existed and their earnest desire to aid in effecting a remedy." Neither is their assertion on page nine, that no mistakes will be found in their bids, altogether correct, for they have been detected in their offers.

The bids have been examined as well as the scale made at the opening, and, to the best of my judgment, there have been no alterations made further than in some cases to change the incorrect amounts from the rectifications made on the margins of the bids, and I do not believe they have been in any way tam-

pered with.

There are some classes for which the bids have been made in pencil, but there

were none such to which an award has been made.

The bids for contracts have no other distinguishing mark on them than is required by the advertisement, that they may not be opened by accident before the appointed time, which has heretofore been done in the presence of three persons. Within the last year or two, by direction of the present Secretary of the Navy, and before the passage of the present law, the opening has taken place in the presence of such bidders as chose to attend. When the bids are opened, the aggregate of each class is distinctly read out by one person as it is written by the bidder, another person enters the amounts on sheets prepared for this purpose; he then reads what he has written, whilst the third person, who then takes the bid in his hands, verifies if they are correctly recorded. No alterations are made to correct any errors, however apparent they may be. This has been the course, to my knowledge, for the last ten years, and it is believed to have been the same for many years previous.

Since the bids have been opened in the presence of the bidders, they have occasionally requested to examine some of them; but, generally, the parties who only bid for a few or single class, when they hear their own bid correctly read,

remain until a lower one comes up, when they retire. The contractor by profession, who bids for nearly every class at several yards, as for a few years past Mr. Scofield, Mr. Collins, Mr. Stover, Smith Brothers & Co., Mr. Savage, &c., remains personally until the last, or they have their agents, clerk, or stenographer remain till all is over.

The bids, as before mentioned, are then verified by the clerks. No alterations are made in them, but all the rectifications are noted in the margin; but

the scale of bids is corrected when any error is discovered.

The method of receiving, opening, and examining the bids appears to me as practicable a mode as can be proposed.

Respectfully, your obedient servant,

JOHN LENTHALL, Chief of Bureau.

Hon. GIDEON WELLES, Secretary of the Navy.

# NAVY DEPARTMENT, Bureau of Steam Engineering, February 12, 1864.

SIR: I have the honor to acknowledge the receipt of your letter of the 5th instant, stating that "representations have been made to the department of erroneous computations in propositions for contracts in your (my) bureau, and of sundry other irregularities either in the proposals for or the award of contracts," and that "some of these are particularly alluded to in an accompanying pamphlet," desiring me "to take up each of the cases connected with your (my) bureau, and make such comments as may suggest themselves tending to an explanation;" also requiring me to "inform the department by whom the computations in your (my) bureau prior to the award of contracts were made," and to "examine the bids in each case, and the schedules made at the opening of the bids, and determine to the best of your (my) judgment whether alterations by erasures or otherwise appear to have been made, or the bids or schedules in any way tampered with."

In reply, I have to state that the records of the bureau have been carefully examined, and that but two errors of computation have been discovered. One of these amounts to \$279 92 on a contract of \$8,501 66, and was made in the footing; the other was made in carrying out the multiplications and amounts to \$1,800. The correct sum is \$2,000; whereas the sum computed has been in-

advertently set down at \$200, making a difference of \$1,800.

The Bureau of Steam Engineering was created by act of Congress, July 5, 1862, since which period there have been two lettings of contracts for naval supplies. The date of the advertisement for the first is February 13, 1863, and of the last, May 23, 1863.

For the first, the computations or verifications were made by Messrs. Neally, Murdock, Wight, and Engineers Greene and Brecht. The above errors occurred

in this letting, and it is impossible to now ascertain by whom.

For the last, the computations or verifications were made by Messrs. Neally and Wight and Engineers Greene, Redman, McKean, and Van Buren. On this occasion each person attached his initials to the schedule he calculated. For both lettings the computations were made under the control and supervision of the chief clerk of the bureau.

An examination of the original bids and of the schedules of them made at their opening does not show that any alterations have been made, except corrections of errors of computations discovered in them, either by erasures or otherwise; nor have I been able to ascertain that either the bids or schedules have been in any way tampered with.

All the bids received at the last letting were deposited as fast as they arrived in the safe of the department, in the keeping of its chief clerk, from which none were withdrawn until the hour for their opening, when they were sent down to the bureau by the department and opened in presence of the bidders.

The first letting was a comparatively small and unimportant one.

The bids were all made in ink for the first letting, except in the case of George Adams for classes D and 38 X, Charlestown yard. His offer for class D was withdrawn before the awards of the contracts were made, and he was not the lowest bidder for class 38 X.

The only bid made in pencil at the last letting was that of Joseph L. Savage, for classes 3, 4, 5, 6, 7, 10, 11, Washington yard, two of which, 4 and 11, were accepted. The verification of one (class 4) made it foot up less than by the

bidder.

I have taken up the cases of erroneous computation cited in the pamphlet accompanying the letter of the department, and submit the following explanation in relation to them, namely:

On page 11 of the appendix to the pamphlet, class F, Brooklyn, the bureau's

computation is correct. There is a misprint in the official report.

On page\_12 of the appendix to the pamphlet, class R, Brooklyn, the pamphlet is correct. The contract should have been given to Zeno Secor for \$8,221 74, instead of Collins & Co. for \$7,801 66. The loss/to the government was thus \$279 92, as Collins & Co.'s contract actually footed up to \$8,501 66. This was the only class obtained by Collins & Co. under this bidding.

On page 12 of the appendix to the pamphlet, class 33 X, Brooklyn, the

bureau's computation is correct. There is a misprint in the official report.

On page 13 of the appendix to the pamphlet, class R, Washington, the pamphlet is nearly correct, (\$200 error.) The contract should have been awarded to Collins & Co. instead of to Joseph L. Savage. The error consists in the bidder having incorrectly multiplied the quantity of fifty reams of emery paper by the price of \$40 per ream and carried out at \$200 instead of \$2,000.

With regard to the hypothetical or imaginary cases cited in the pamphlet, as showing that the contracts would have been let at lower sums if any bidders had offered at less prices for them, or at Mr. Smith's rates, it is not considered that any answer is necessary. The contracts were advertised for and awarded in exact conformity to law, the lowest bidder receiving the contract. If bidders, under open competition, by public adverti ement, with the certainty of the lowest receiving the contract, would not offer for the articles at some places at as low a price as at others, it is not seen that any remedy was in the hands of the bureau. Mr. Smith, who makes these hypothetical savings to the government, though offering for some places, did not think proper to offer at lower rates for the places where these higher prices received the contract.

There are no vouchers or other evidence in the bureau to prove one contractor

to have been an agent for another.

With regard to suggestions relative to contracts, invited by the department in its letter, I will embody such as I am able to make in the reply called for to the resolution of the House of Representatives. I do not add them here, as they are not quite matured, and the department's letter calls for this report at my earliest convenience.

I am, very respectfully, your obedient servant,

B. F. ISHERWOOD, Chief of Bureau.

Hon. GIDEON WELLES,

Secretary of the Navy.

Rejoinder to the explanations of the bureaus, concerning the award of certain contracts.

Boston, April 2, 1864.

Sir: Through the courtesy of the Senate Committee on Naval Supplies, I have the honor to acknowledge the receipt of copies of letters to the Secretary of the Navy, from Rear-Admiral Smith, chief of the Bureau of Yards and Docks; Mr. Lenthall, chief of the Bureau of Construction; and Mr. Isherwood, chief of the Bureau of Steam Engineering. These papers (covering thirty-two folios) are in reply to a communication entitled "An analysis of certain contracts," addressed by myself to the Secretary, and by him submitted to the chiefs of bureaus, for consideration and report. The occasion for said analysis of contracts will appear from the following statements:

On the 29th of January I had the honor to enclose to the Secretary a copy of a paper prepared for the commissioner of the naval code, according to his

request, containing recommendations, viz:

First. As to the proper protection of bids.

Second. As to the preparation of well-defined schedules of merchandise advertised.

Third. As to additional protective measures for the government against false

weights and measures.

I have been gratified to notice that several of the suggestions upon the first of the above topics have been practically adopted in the recent instructions for bidders by the Bureaus of Construction and Engineering, and also to observe that these, with others concerning the appointment of receivers at navy yards, and the duplicate verification of weights and measures, have received the indorsements of the chairman of the House Committee on Naval Affairs and the commissioner of the naval code, and are embodied in the new draft of law submitted to Congress.

The necessity for more vigilant supervision of public biddings was argued, not only from opportunities for wrongful collusion and fraud, believed to exist, but from the actual perpetration of wrong, believed to have been committed. Upon the publication of the report of the Secretary of the Navy conclusive

evidence of this fact was found therein.

An analysis of certain published contracts was made in an appendix to the

paper above mentioned, showing—

First. That in certain contracts prices were set upon particular articles greatly above market rates, (such as \$1 25 for quicksilver, worth 75 to 80 cents, &c.,) without corresponding cheapness on any other articles in the class; while, by a false addition, the bid was lowest in the aggregate. Thus the contract obtained was made to yield said enormous prices. The inevitable inference was, that the connexion of such prices with such arithmetic was an intentional act on the part of the bidder.

Suspicion of the latter wrong was confirmed by clear evidence of other wrongful collusion of clerks, to the advantage of the same party or parties, as shown.

Second. By evidence from published contracts that certain bidders must have been informed that there were no bidders for certain classes, because, where there was an only bidder, prices were made from twice to twelve times the worth of an article, and because, where there were only these certain bidders, they all bid immensely above market rates; whereas, when other competition appears, the same parties underbid said competition. A statement is given of the loss thus made to government by a comparison of the prices paid in the above cases with the prices bid by others or with market rates.

It will be seen that the second line of argument in the appendix presented a subject of the greatest importance, and worthy of the most thorough investiga-

tion.

The reply of the chief of the Bureau of Yards and Docks, after explaining the error of \$1,000, noticed in that bureau as the innocent oversight of a clerk, makes no reference to the demonstration of collusion in the second part of the appendix. Inasmuch as that error was the only irregularity discovered in that bureau, and the analysis shows no wrongful information to bidders from within that bureau, there was no occasion for reference to it. But there was also no occasion for the irrelevant insinuations upon the firm of which the writer is a member; to be treated apart from this reply, and shown to be as unwarranted as they were undignified. Yet the author shall have credit for his considerate apology at the close, wherein he says: "I believe the house of Smith Brothers & Co. to be of respectable standing, and that they employ no means not considered, in these times, legitimate to obtain orders."

Other topics entirely extraneous to those in the pamphlet submitted for his consideration, such as the system of open purchases, are discussed at length. It would be improper for me to follow his digression, and intrude here any dif-

ference of opinion upon these subjects.

The reply of the chief of the Bureau of Construction devotes twelve lines of its twelve pages to the second part of the analysis, wherein is given evidence of collusion within that bureau; dismissing the subject with the square assertion that "it is of no practical application—is unsound and hypothetical." It will require more than this dictum to convince others who have examined it that it is not practical, sound, conclusive.

Nearly one-half of the document is devoted, as in the former case, to matters entirely disconnected with the subject under discussion, shadowing timid insinuations in this style: "I am not able to say whether, or in what way, or if at

all, Smith Brothers & Co. were involved," &c.

But such obliviousness as to the important statements set forth in the analysis of certain contracts with the Bureau of Construction will not occasion, generally, such indistinctness of vision; neither will irrelevant matter nor personal innuendo (to be proved elsewhere as groundless as inappropriate) hide the real issue from view.

It would have been more creditable to these chiefs if they had communicated to us any distrust of our transactions before we had frankly given them information of wrong which touched their sensitiveness; information which should have had their grateful acknowledgment, not their tardy recrimination, especially since our official correspondence with them of the past two years left no

insinuation against our honor and integrity.

It does not speak well for public officers to resent thus an honest scrutiny of public affairs. This requital in our own case, however, was not altogether unexpected. From the time, in 1861, when confident of the right and reasonableness of our demand, we obtained an order, opening the doors of their offices to our inspection of bids, against their objections, we have been prepared for manifestation of ill will upon opportunity. We did not wait long for its exhibition. The printed correspondence (with the chief of the Bureau of Yards and Docks) accompanying this discovers the readiness with which the most denunciatory language was used concerning us upon the mere suspicion of wrong, the withdrawal of which was subsequently compelled upon an exhibit of fact.

We delay further notice of personalities, to consider the important subject

which elicited them.

The reply of the chief of the Bureau of Steam Engineering has the merit of appropriateness. It devotes five pages of the six to an explanation of arithmetical errors, given in statement number one, and dismisses the argument in statement number two, after an entire distortion thereof, by echoing the words of the chief of the Bureau of Construction, "hypothetical and imaginary."

It will be found that another twelve lines of irrelevant assertion will by no

means suffice to dispose of the evidence that wrong was committed.

I will review seriatim the few points in these documents that have any bearing upon the subject submitted for consideration.

First. The explanation as to the loss to government by arithmetical compu-

tations.

Ten erroneous computations mentioned, as according to the Secretary's report, are admitted. Several are disposed of as misprints, suggesting more accurate proof-reading in future.

The following, it was asserted, occasioned loss to the government:

0.	on—Philadelphia,		01
Admitted as losses to government.	Class R—Engineering—New York	79 <i>5</i> 839	00 43
•		2,512	98

The explanation of the first is as follows: "The computation was correctly made, amounting to \$10,444 55, as stated in the scale of offers, and the error supposed by Mr. Smith to have been made has arisen from a misprint in the public document."

There is too much suspicion yet unrelieved from this explanation to allow it to pass thus. The bureau is not quite so full in explanation of the important "misprint" as is desirable. By private inquiry I have learned that the mis-

print is claimed as follows:

5,000 pounds spikes, 50 cents per pound, was printed \$5. Should have been 10 cents. Difference, \$2,000. \$5 is a singular typographical slip from 10 cents.

But further: ten cents is one-fourth of the price set against the other sizes of spikes, viz: forty cents. Fifty cents would make the bid figure as scaled, \$12,444 65; the "misprint" (from 50 cents) was singularly coincident in mathematical effect with the error in the scale.

Again: 10 cents is about one-third of the value of the article; and it appears that scarcely another article in the contracts of this party, at this time, is offered at less than cost. The other articles in the same class are at a large profit.

Again: this was the third instance of profitable arithmetic (to him) by this party, two of which (involving a loss of \$1,442 18 to government) are admitted.

The first was discovered by Smith Brothers & Co., and notified to the bureau in about thirty days after the award of the contract. It would have been wise for the party or his friends to have re-examined all other of his arithmetic to

correct discrepancies if they existed.

The chief of the Bureau of Yards and Docks quotes from the pamphlet, thus: "Bids have been received containing several arithmetical errors, but all against the government," and remarks, "This statement upon first sight is calculated, and was doubtless intended, to excite suspicion; but a very slight examination of the matter will disclose the fact that if an arithmetical error is committed, it must necessarily be against the government."

The remark in the pamphlet was most certainly intended to excite suspicion: First. Suspicions against the parties who coupled such prices with such

arithmetic as above shown; and,

Second. Against the parties through whose hands such arithmetic passed unnoticed, when such suspicion was strongly confirmed by other evidence set forth.

In the case of error in that bureau, however, there is no ground for such suspicion against the clerks, as it was their only error in a large number of

Previously discovered by Smith Brothers & Co., vide p. 9, pamphlet.

computations, and none of the evidence as to collusion by information pertains to that bureau.

I think under such circumstances there is no occasion for the venerable chief to be "exceedingly mortified" that such an error occurred, but rather agree with him in his subsequent surprise that no more errors were detected by the

"astute (!) merchant in hardware."

The account given by the bureau of the care of the bids "in a trunk, with the key in his pocket," until the opening, is very creditable. It is such care that I have advocated for all bureaus. Had it been exercised in two other bureaus, probably the chiefs thereof would have been spared the trouble of reply to statement No. 2.

The bureau should be reminded again, however, that "the open doors for all persons who desire to be present" are an institution obtained by the agitation of the astute merchant in hardware aforesaid, through legislation, and against a

refusal at the incoming of the present administration.

The bureau remarks: "The idea of not allowing an indorsement on a bid received of its number, name of bidder and number of class, because the clerks will then know the bidder's name and class bid for, is simply ridiculous. How can the business be conducted, the bids scaled, scanned, and contracts made,

without the knowledge of clerks?"

The bureau misapprehends entirely the meaning of my suggestion, page 3, viz: "Bids should not be indorsed with the numbers of the class named within them. From such indorsements it may be learned by clerks that there are no bids for certain classes, and, through collusion; exorbitant prices may be named for said classes." This had reference to indorsements upon bids by bidders; not to indorsements after the opening, as understood by the bureau.

The bureaus formerly directed that bids should be indorsed with the number of the class; and it is the theory of statement No. 2 that it was by such indorsements certain parties were informed of classes on which there were no bids. Of late the advertisements, according to my suggestions, direct the indorsement to be simply "Proposals for Supplies." Thus no clue is afforded

for ascertaining what classes have no bids until after the opening.

The reports of the chiefs of the bureaus upon the facts set forth in statement No. 1 result in the admission of a loss to government in four cases of the five asserted by the writer, through erroneous computations, amounting to \$2,512 98.

This amount of loss is admitted upon the small and comparatively unimportant award in February. How great may have been the loss from the same

cause upon the many large awards that have preceded it?

The suspicious indications as to the remaining item of \$1,964 01, above mentioned, fail of recognition in the bureau where they are found. It appears these chiefs, so distrustful of merchants who advocate reform and expose wrong, are exceedingly trustful and confiding as to all transactions within their official precincts.

The very serious allegation made in statement No. 2 is as follows:

"That certain bids and contracts, very peculiar in their character, must have had a peculiar history." That in cases where there was but one bidder the national treasury suffered severely from the competition. That where there were no bidders beyond four parties, A, B, C, D, enormous prices were obtained; but where competition outside of these "parties appeared, one of the said parties, by marvellous intuition," or by some other means, had the forecast to underbid said competition. That it is against probability to maintain that such bids could have been made in entire ignorance of the competition to which they were to be subjected." That this essential assistance must have been found within the bureaus.

Charges such as these were not made without careful consideration. The evidence upon which they are based, after compilation from the report of the

Secretary of the Navy, was examined in detail by gentlemen whose competent

judgment of evidence would be admitted.

After the paper was placed in type, for greater distinctness, the proof was submitted to a counsellor of this city, eminent for character as ability. Upon a critical examination thereof, in connexion with the Secretary's report, he pronounced it a conclusive statement of evidence, sufficient to prove the allegation to any intelligent jury beyond a reasonable doubt; and furthermore declared it my personal duty as a citizen to place said paper with the Secretary of the Navy, that the serious wrong discovered might be thoroughly investigated. In this opinion of my duty members of Congress fully concurred.

The unpleasant and, as might have been expected, thankless duty was per-

formed.

From this last remark I must except the honorable Secretary. He alone, of the officials concerned, expressed his cordial appreciation of the service, remarking it was as important to the country as that rendered in the field. The matter was referred by him to the chiefs of the bureaus in which the transactions were alleged to have occurred.

All they deemed it worthy their dignity or duty to say in replies of twelve and seven pages, respectively, bearing directly upon the allegation above named

in statement No. 2, shall be copied verbatim:

The chiefs of the Bureaus of Construction and Engineering reply as follows:

## Construction.

"With regard to what Messrs. Smith Bros. & Co., on page 15 of their pamphlet, call an analysis of the bids, it has no practical application, and is unsound.

"Smith Bros. & Co. made no offer for the yards in question; but other parties did, and necessarily it could only be on their prices that, under the

law, any award could be made.

"In what Smith Bros. & Co. call an analysis, they could have substituted any price they thought fit, and have brought any result they might have desired, for their comparisons are altogether hypothetical."\*

\* Smith Brothers & Co. are aware of no loss to themselves by said collusion.

The loss was only to government.

# Engincering.

"With regard to the hypothetical or imaginary cases\* cited in the pamphlet, as showing that the contracts would have been let at lower sums if any bidders had offered at less prices for them, or at Mr. Smith's rates, it is not considered that any answer is neces-

sary.

"The contracts were advertised for and awarded in exact conformity to law, the lowest bidder receiving the contract. If bidders, under open competition by public advertisement, with the certainty of the lowest receiving the contract, would not offer for the articles at some places, at as low a price as at others, it is not seen that any remedy was in the hands of the bureau.

"Mr. Smith, who makes these hypothetical savings to government, though offering for some places, did not think proper to offer at lower rates for the places where *these* higher prices received the contract."

\*The cases were all quoted from the report

of the Secretary.

†Innocent oversight of the real argument of the case! viz: that certain parties were informed that neither Mr. Smith nor any one else had offered at some places, and thus these "higher prices," two to twelve times the worth of the articles, received the contract.

The reply of the chief of the Bureau of Engineering is as irrelevant and obscure as that of the chief of the Bureau of Construction. Indeed, it is but an echo of the latter's assumptions and assertions. There is such an entertaining concurrence of thought and language, that it is difficult to find a trace of an idea in the one not in the other. They are therefore placed in parallel, as the same reply will suffice for either.

The reply of the chief of the Bureau of Construction is either an entire mis-

understanding, or a conscious evasion of the argument in statement No. 2.

To indicate the simple directness and force of the argument, a few facts from the many in the "analysis of certain contracts" will be brought forward.

When in a bid for glass, A is the only bidder, he obtains \$20 for lenses

12 by  $1\frac{1}{2}$  inch.

When a party other than A, B, C, or D bids for glass at another yard at the same time, A obtains \$2 for lenses 7 by  $1\frac{1}{2}$  inch.

When three bidders other than A, B, C, or D bid for oars for Portsmouth,

they cost  $6\frac{1}{4}$  cents per foot.

When only A bids for Washington, they cost 24 cents per foot.

When A is the only bidder for boiler iron at Kittery, he obtains for

When D is the only bidder for boiler iron and tubes for New York, he obtains for 115,210 pounds  $11\frac{3}{4}$  cents per pound, worth  $7\frac{3}{4}$  cents.

And for 2,000 feet of boiler tubes, \$3 80 per foot; offered by the

same party in May, when Morris, Tasker & Co. bid, at 50 cents.

Difference ...... 6,600 00

11, 208 40

When A, B, and C were the *only* bidders for tools, at Kittery, A takes the contract at \$4,687 for what was worth only \$1,592 84, according to the prices of S. B. & Co., at the same date, and in July, as in these instances:

 Grindstones
 \$30 00, worth \$4 50 each.

 Scale beams
 50 00, worth 6 50 each.

 Wrenches
 150 00, worth 12 75 per doz.

But the bids for oil present the most transparent evidence of information through collusion.

They are awarded as follows, in March:

It is not within reason that such varied approximations were obtained by chance.

It is remarked, (page 41 of the pamphlet,) as follows: "On the morning of the 24th of June, 1863, the honorable the Secretary of the Navy, acting upon special information received, took prompt and judicious measures for the protection of an opening of bids to be made that day."

This special information was communicated by three members of Congress

from Massachusetts, and does not appear in the pamphlet.

The chief of the Bureau of Engineering describes the prompt and judicious measures thus:

"All the bids received at the last letting were deposited as fast as they arrived, in the safe of the department, in the keeping of its chief clerk, from which

none were withdrawn until the hour of opening, when they were sent down to

the bureau by the department, and opened in the presence of bidders."

The "prompt and judicious measures" thus suggested and put in force protected the bidding from the wrongful tampering and collusion which it is evident had occurred in March. The intuitive perception of the bidder for oil did not on that occasion serve him, so as to touch within 2½ per cent. in every instance of the next lowest bidder.

The prices for oil as awarded in June were—

/	Charlestown.	Brooklyn.	Philadelphia.	Washington.
	\$1 10	\$1.10	\$1 50	\$1 75
Next lowest,.	1 70	1 49	1 70	1 90

which should be contrasted with the scale in March.

It is asserted that a considerate judgment of such facts as the above, with many others equally significant, compel an unbiased conclusion that the only bidder was informed he was the only bidder; that the four, when they were the only competitors, had the advantage of knowing they were the only competitors; and that in the absence of inspection to prevent, the prices (as for oil) were carried up to close proximity to the next lowest bidder.

The pertinency of the reply of the chief of the Bureau of Construction will now be considered, in connexion with the above facts from the Secretary's report.

He says: "With regard to what Smith Brothers & Co. call an analysis, it has no practical bearing, and is unsound."

An analysis is defined to be "a consideration of things in their separate parts—

the tracing of things to their source."

I think the term in its position is safe from the satire of the chief. For its practical bearing and soundness, it may rely upon the opinion of those whose sensitiveness is not jarred by its conclusions.

Again: "Smith Brothers & Co. made no offer for the yards in question, but other parties did, and necessarily it could only be on their prices that under the

law any award could be made."

This language, if it means anything appropriate to the discussion, is nearly a repetition of the evidence of wrong, viz: that when "Smith Brothers & Co. made no offer," and when only certain "other parties did," then said "other parties' must have been informed that "it could only be on their prices" (though they were two to twelve times the value) "that under the law any award could be made."

Said other party received the advantage of that position of affairs to the most audacious extent, when, as only bidders, they obtained \$150 for wrenches, worth \$12 75, and \$3 80 per foot for boiler tube, offered afterwards by the same party (when another party competed) for fifty cents.

The reply continues: "In what Smith Brothers & Co. call an analysis, they could have substituted any price they thought fit, and have brought any result

they might have desired, for their comparisons are hypothetical."

The prices in the analysis are those from the contracts in question, contrasted with those of Smith Brothers & Co., or of other parties, which were fair market rates, that the contrast might exhibit the amount wrongfully obtained through said contracts above market rates, the aggregate being proved to be more than \$25,000 on awards of \$90,000.

This comparison is strictly authentic and correct; its result will challenge investigation, as reliable. No prices varying much from those quoted could have been substituted as market rates, without producing a false estimate of the loss to government. So far from being hypothetical, the prices (which were not taken from the price current) are those from renumerative contracts in the report of the honorable Secretary.

The chief of the Bureau of Engineering remarks, "that it is not seen that any remedy was in the hands of the bureau." If the remedy applied by the Secretary in June, had been anticipated by the bureau in March,

No such contracts were made under that protected bidding.

The chief of the Bureau of Engineering remarks, "that an examination of the original bids does not show that any alterations have been made, except corrections of errors of computations in them, either by erasures or otherwise; nor have I been able to ascertain that either the bids or schedules have been in any way tampered with."

The chief of the Bureau of Construction writes to the same effect.

Yet, with due respect to their "best judgment," I record confidently the opinion that those bids, if the original ones, present an extraordinary appearance. That there are among them some remarkable specimens of inaccurate, incomplete, indistinct, pencilled, and altered documents, and that an expert will be able to trace through them some of the enormous advance on prices in the contracts analyzed.

The chief of the Bureau of Yards and Docks says: "I undertake to say that neither this firm, nor anybody else, can execute the law of Congress approved March 3, 1863, (which Mr. Smith claims to have suggested,) to the letter, in all

respects, if contractors are disposed to evade it."

The allegation of wrongful collusion, which is in debate, is entirely independent of action involved in the execution of that law, or any other; being simply that bids were not properly protected prior to and during the opening thereof. It is a question of official integrity in ordinary duty. Mr. Smith furthermore disclaims the honor of suggesting that law, which, in the main, is reformatory of the old system. He had nothing whatever to do with it, nor did he hear of it until it was enacted, save the provision limiting quantities to be delivered under contract to "no more and no less" than those advertised. This he acknowledges to have suggested and accomplished; a measure which disposed of the evil of fictitious prices, and is regarded generally as a great reform.

The chief of the Bureau of Construction says: "On page 4 of Messrs. Smith Brothers & Co.'s pamphlet letter to the Secretary of the Navy they are understood to state that no bids at high and low prices were ever made by them. In this assertion they cannot be sustained. Copies of Messrs. S. B. & Co.'s bids for the Boston yard for the year 1862-'63 are herewith enclosed. It will be seen their bids run high and low." He then refers to sales of lead and screws

by S. B. & Co.

Upon review the details of these transactions will be found to the credit of S. B. & Co. The entire correspondence concerning them was printed by S. B. & Co. at the time as a gratifying vindication of their business transactions and principles. But more anon upon these irrelevant topics, introduced to the confusion of these official papers.

The quotation is made here to illustrate the captious spirit in which these

gentlemen have conducted their part of the correspondence.

"THEY ARE UNDERSTOOD TO STATE that no bids at high and low prices were

ever made by them."

The writer of the pamphlet said no such thing. Mr. Lenthall had no right so to mis-understand him. Why did he not quote the writer's words? Peradventure, because, except by distortion of them, he could not have appended an insinuation.

Mr. Smith wrote: "No such bids were ever made by S. B. & Co.," i. e., such as were under discussion, in which, under the act of March. 3, 1863,

limiting quantities, the aggregate of the bids is immensely above the market rates for the merchandise to be delivered. In this assertion, as in others, the records will show that S. B. & Co. are sustained.

The explanation of the high and low prices at which they and others were compelled to bid, under the former contract system, will show where the responsibility of the absurd system belonged. It is upon the chiefs, who devised and executed it quietly for years, not upon merchants who, immediately upon becoming acquainted with it, exposed and attacked it until destroyed. It is entertaining, certainly, now, to hear taunts upon merchants for using meanwhile the system placed in their hands. The only choice for them was to compete under the system, while protesting against it, or else to have abandoned the competition to others, who were content with profits, regardless of principle or propriety.

The above review of all points bearing upon the serious allegation which is set aside as "hypothetical and imaginary," leaves the evidence of its truth still unbroken and conclusive. The unanimous verdict of those to whom it is submitted successively for examination (beyond those who assume an attitude of

defence) is, that the facts collated sustain the charge.

I doubt not but that an intelligent jury, or a committee of the Boston Board of Trade, would indorse the opinion of the legal gentleman under whose advice I have performed this unwelcome duty, viz: That the said "analysis of certain contracts" proves, beyond a reasonable doubt, that certain contractors could not have obtained the extraordinarily profitable contracts in question through any mere chance of bidding; but that through information, by collusion, said results were obtained.

Besides, however, the internal evidence of the report of the Secretary which the writer has collated, (at expense of personal labor, time, and money, and exposure to resentful attacks,) there can be other collateral evidence to substantiate the truth.

I cannot conclude without again soliciting your attention to the resentful disposition of the chiefs in reply. Their unwarranted insinuation and weak satire will have full exposure in a subsequent paper. The communication which required their attention, so far from implying distrust of either of those functionaries, referred to them in terms of confidence personally, of respect for their ability, and consideration of their arduous labors. It was not, therefore, to have been anticipated that evidence of wrong within their offices, the suspicion of which, as was remarked to the writer by the Secretary, was not new in the department, would be set aside as "hypothetical and imaginary," and returned with angry recrimination. Yet, despite this ready dismissal by the bureaus, the importance of this evidence, in fact and inference, will remain.

I am, sir, very respectfully, your obedient servant,

FRANKLIN W. SMITH.

Hon. John P. Hale,

Chairman of the Senate Select Committee on Naval Supplies.

Correspondence of Rear-Admiral Smith with the navy agent at Charlestown about the purchase of a crank for the steamer Cambridge.

Bridgewater, Massachusetts, February 9, 1864.

SIR: During last summer Chief Engineer Wood, of the Boston navy yard, by order of the commandant of that station, ordered from our forge a shaft for the United States steamer Cambridge. The shaft was made at considerable inconvenience to us, by working night and day, as we were informed the steamer

was required on the blockade, and were specially urged to do the work in the shortest possible time.

The shaft was made and delivered in the city of New York, and after inspection by a government engineer the bills were sent to the commandant of the

Boston yard.

After waiting several months and hearing nothing from them, the writer went to Boston January 26, and ascertained by inquiring at the commandant's office that the bills, which were dated in October, were approved by him November 12, and sent to the navy agent in Boston, and I was requested to go there, where I would doubtless find the money. I accordingly called upon him, when he informed me they were not in his possession. I insisted that he must have them, but he said no. I again told him they must be in his office, and finally opening a side drawer he found them all—original, duplicate and triplicate—duly approved. I asked him if any requisition had been drawn for the amount; he said no, and that there would not be by him; that Commodore Montgomery or Chief Engineer Wood had no business to order anything for the yard; that all orders must come through him, and if they saw fit to order, they must pay for it, as he should not.

I respectfully call your attention to the above matter, that it may be brought to the notice of the proper officials in Washington, with a view that such conduct on the part of these officials—navy agents—may be corrected, and to state further, that it is my opinion, as well as that of manufacturers generally, who have had the supplying of their goods to the department, that his conduct in this case has been caused in not giving this order to such parties as may have

been selected by himself to execute the work.

I am, very respectfully, yours,

GEORGE B. STETSON for Lazelle, Perkins & Co.

Rear-Admiral Joseph Smith,

Chief of Bureau of Yards and Docks, Washington, D. C.

Bureau of Construction, Navy Department, September 10, 1863.

Enclosed please find a copy of a report from the steamer Cambridge, relating to the crank-pin of that vessel; and a new one is required. You will please direct the chief engineer of the yard under your command to ascertain where it was made, (which is probably at Boston, as the vessel was purchased at that port,) and have a new one forwarded to her, in Admiral Lee's squadron, as quickly as possible. If you have not direct communication by steamer, the most expeditious mode will be to send it to New York, and request the commandant of that yard to forward it at once. When ready to be sent forward, you will inform the Bureau of Steam Engineering.

JOHN LENTHALL.

Com. J. B. MONTGOMERY.

Bureau of Yards and Docks, February 25, 1864.

GENTLEMEN: Your letter of the 9th instant to me was referred to the navy agent at Boston for explanation of his long detention of your bill without action.

Enclosed I send you a copy of the navy agent's letter on the subject to the

Secretary of the Navy, which I transmit to show you how much more reasonably that agent can procure the work referred to than you seem to have charged. That, however, is no excuse for his non-action in the premises.

Respectfully, your obedient servant,

JOS. SMITH, Chief of the Bureau.

Messrs. Lazelle, Perkins, & Co., Bridgewater, Mass.

Bureau of Yards and Docks,

March 7, 1864.

GENTLEMEN: I enclose a copy of explanations made by the navy agent at Boston touching the price you charged for the shaft of the steamer "Cambridge."

Please state whether your price per pound was for the shaft finished.

You will observe that the navy agent complains of your price as exorbitant; and if it is really so, you should of course make a deduction.

After reading the navy agent's letter, please forward to the bureau such

explanations as you may think the matter requires.

I am, respectfully, your obedient servant,

JOS. SMITH, Chief of the Bureau.

Messrs. Lazelle, Perkins & Co., Bridgewater, Mass.

# BRIDGEWATER, MASS., March 11, 1864.

SIR: We beg to acknowledge receipt of yours of the 7th, enclosing copy of letter from E. L. Norton, esq., navy agent at Boston, in which he charges us with asking your department an exorbitant price for the crank-shaft of steamer Cambridge, and says that Mr. Dearborn, of the firm of Dearborn, Robinson & Co., forged the original one at ten cents per pound, and would now make the same, finished, at forty cents per pound. Also, that Mr. Curtiss, of the Atlantic Works, says that forty cents, at the present time, would be the highest price for such a one finished; and further, that Mr. Curtiss says, "We are now making much larger and more difficult ones at thirty-nine cents per pound."

Mr. Curtiss must, we think, forget that we are now under contract with him to make a crank-shaft, and have six months in which to do the work, and that

he is to pay us fifty cents per pound for the same.

Mr. Norton further states that our establishment is at work day and night as a matter of economy, and that such establishments are run day and night. So far as our experience goes, we can assure you there is no economy in any such operation, and we beg to state that it costs much more to run day and night, comparing the expense with the amount of work turned out. We cannot turn out as much work in a night as in a day, and we are quite sure that others have had the same experience as ourselves.

He also says that we do not pay our workmen anything extra for working

nights, which is not correct, as we do pay extra for night work.

We have shown you, as above, that our works are not run day and night as

a matter of economy, but merely from a press of work.

If the navy agent had considered the bill an overcharge, he should have so stated it at the time our man called on him, and not say that he would not pay it for reason of its having been ordered by Commodore Montgomery instead of himself. When the bill was rendered we considered it a just one, under the

circumstances; if it is not so, we stand ready to correct and refund any overcharge. Our price for such work is fifty cents per pound finished, when we have the other forgings required for the engine. We have, within the past three months, forged all the work for five engines of similar shape for one of our customers, and we charged him for the same twenty-five cents per pound in the rough. The crank-shaft is the most difficult piece to make of all others required in the construction of a marine engine, and there is double the risk attending its manufacture at the present time. We would not undertake to make one at the price charged your department, (thirty cents per pound forged weight.) When the order was received it was stated the ship was required on the blockading station, and that we must not lose a moment's time on it. Under these instructions we commenced it at once, laying aside other work that the wants of our customers hard pressed us for delivery. When it was forged, we at once put it into our largest lathe, (for which we charge \$20 per day,) stopping the work it was on. We cannot make these changes without incurring additional expense and loss of time.

We appeal to you, sir, if we should not receive more for this work than if

we had plenty of time in which to execute it.

The parties from whom Mr. Norton obtained the prices he quotes are competitors of ours in business, and he doubtless explained to them the nature of the case before getting their figures. We always have been, and are now, ready to serve your department in any way, and at quickest possible time, and ask no other compensation for so doing than what is just and right; and, in this case, we worked with an understanding that the services of the ship were valuable to the government, and the first thing to be looked to was despatch.

We leave the matter entirely in your hands, and shall cheerfully abide by any decision made in the case by yourself, or the department, and any overcharge

shall be promptly remitted as you may direct.

Mr. Norton's treatment to us has not been what we should have received from a man in his capacity; we have at least a right, we think, to demand civil and courteous treatment from him as a government officer. We mean all our claims and bills shall be at market rates; if not, we stand ready to make them so.

Awaiting your reply, we remain yours, very truly,

LAZELLE, PERKINS & CO.

Rear-Admiral Joseph Smith, United States Navy, Chief of Bureau of Yards and Docks, Washington, D. C.

Bureau of Yards and Docks,

April 8, 1864.

GENTLEMEN: Yours of March 11 I referred to the Bureau of Engineering as it pertains to that bureau to pay your bill for the crank made for the Cambridge.

It was a matter which did not appertain to this bureau, but was investigated by it, as stated in letter of March 7, in reply to yours of February 9 last, and which has not escaped the observation of the investigating committee of the Senate on the subject of naval frauds.

You will please call on the Bureau of Engineering to examine and settle your

bill for the crank.

I am, respectfully, your obedient servant,

JOSEPH SMITH, Chief of the Bureau.

Messrs. Lazelle, Perkins & Co.,

Bridgewater, Massachusetts.

Here is Mr. Norton's account of the transaction. It is a very straight one.

NAVY AGENT'S OFFICE, Boston, February 23, 1864.

SIR: Referring to my letter of the 20th instant, I respectfully inform the department that I have made inquiries of the principal forgers and manufacturers of shafts, such as was furnished the steamer Cambridge, by Lazelle, Perkins & Co., and have ascertained that the price of the shaft, the bill of which was presented to me for payment, and which, for reasons before stated, I declined to include in my requisition, is exorbitant.

The cost of such work at the present time is greatly above that for which it could have been furnished at the time the bill referred to was made. In no instance has the price named by the parties of whom I inquired been above forty cents per pound for the finished shaft. One manufacturer of great responsibility and experience offers to do such work at the present time for thirty-eight cents.

It will be observed that Lazelle, Perkins & Co. charge for 7,410 pounds, (which is probably the gross weight of the forging,) \$2,445 30, and for finish-

ing, \$570; total, \$3,015 30.

Based upon the original shaft, and the estimated weight from the drawing, the weight of this shaft finished would be about 4,500 pounds, which, at the price offered me for such work, would amount to \$1,710. It thus appears that Lazelle, Perkins & Co. have charged about \$1,300 in excess of a liberal estimate for the shaft. I am informed that the manufactory of Lazelle, Perkins & Co. is usually in operation day and night; consequently the cost of the work could not have been enhanced by night labor.

As this bill will probably be presented for payment, I consider it my duty to

inform the department of the result of the inquiries I have made.

Very respectfully, your obedient servant,

E. L. NORTON,
Navy Agent.

Hon. GIDEON WELLES, Secretary of the Navy, Washington.

To that letter of Mr. Norton Rear-Admiral Smith replied as follows:

Bureau of Yards and Docks, February 27, 1864.

SIR: The honorable Secretary of the Navy has referred your letter to him of the 23d instant, on the subject of the shaft furnished by Lazelle, Perkins & Co. for the steamer Cambridge, to this bureau. Please state who the parties are of whom you say neither of them would have charged over 40 cents per pound for the shaft in question, finished, the time they would have required to deliver it, and also who is the party who would do the work at the present time at 38 cents per pound, and if these parties or either of them would furnish the shaft by working night and day at these prices.

It appears the shaft was ordered of the establishment which made the original one, to be made with all possible despatch; and whether the price charged be high or not, there was no excuse for *your* putting the bill away without notice or report, and when asked for it saying you had it not, but after searching you

found it.

If you declined to pay the bill, you should at least have so reported to the com-

mandant who approved it, with your reasons for not paying it.

Your opinion that because the works of Lazelle, Perkins & Co. are in operation day and night, the work on the shaft should not be enhanced in price, is quite

unreasonable, when it is known that night labor is charged at double rates at nearly all of the navy yards and private establishments in the country.

No doubt the labor is charged at double the ordinary cost of work of that sort

for that part of it done by night work.

I am, respectfully, your obedient servant,

JOSEPH SMITH, Chief of the Bureau.

E. L. Norton, Esq., Navy Agent, Boston, Massachusetts.

> NAVY AGENT'S OFFICE, Boston, March 5, 1864.

SIR: In reply to the bureau's letter of the 27th ultimo, asking me to state who the parties are who would have made a shaft such as was furnished for the Cambridge, I have to reply that Mr. Dearborn, of the firm of Dearborn, Robinson & Co., says he forged the original shaft for the Cambridge at 10 cents per pound, and would make the same forging at the present time for 20 cents per pound, and would have made and finished the same shaft at the time it was made by Lazelle, Perkins & Co. for 35 cents per pound finished weight, and at the present time at 40 cents, and would have engaged to finish it in four weeks.

Mr. Herrick, agent of the Nashua Iron Company, says, at the present time he will engage to make such a shaft at 38 cents per pound, but at the time it was made by Lazelle, Perkins & Co. it would not have cost as much, and that it could be finished after forging in three weeks, working only days. By working days and nights it could be done in less than two-thirds that time, and would enhance the cost but very little. He should work day and night forging the shaft as a matter of economy. Mr. Herrick says he would work nights finishing the shaft if desirable, by charging for extra steam and lights, which he says would

Mr. Curtis, agent and treasurer of the Atlantic Works, says that 40 cents per pound at the present time is the highest price for such work, and that in September and October last it would have been much less. Mr. Curtis further says, that Lazelle, Perkins & Co. are now making shafts, much larger and more difficult to make, at 39 cents per pound. The foregoing prices are for the finished work, a close calculation of which from the original drawing makes the weight of the shaft 4,200 pounds.

As stated in my letter of the 23d ultimo, the works of Lazelle, Perkins & Co. are in operation day and night, and as a matter of economy such establishments are run day and night for heavy forgings; and the extra expense of night labor in finishing such work is acknowledged to be "but a trifle" by those most in-

If nearly all the navy yards and private establishments in the country pay double for night labor, the bureau does not say that such is the practice at the works in question. On the contrary, I am informed that Messrs. Lazelle, Perkins & Co. do not pay their workmen double or even anything extra for night labor for finishing work, and, as before stated, all forges run night and day on heavy work as a matter of economy. Therefore, instead of being unreasonable in my opinion that because the works of Lazelle, Perkins & Co. are in operation day and night the price of the shaft should not have been enhanced, I might have further added that the work could not have been done exclusively by day labor without a very serious inconvenience to them.

As the withholding of the bill from my requisition has been considered by the department upon such explanation as I have been able to give, it appears unnecessary that I should say more in relation to the matter. The case may be Rep. No. 99——5

stated briefly as follows: A requisition for a crank-shaft was drawn by the authorities of the navy yard directly and unconditionally upon me. By law and regulation it was my exclusive duty upon that requisition to have made the purchase, but it appeared from the memorandum bill of Lazelle, Perkins & Co. that

some person had undertaken my function and had made the purchase.

By including that open purchase bill in my requisition, when no special authority from bureau or department appeared for the purchase by another person, I considered that I should become a party responsible for the proper conditions of the bill. It was accordingly laid aside to await from day to day the call of the party to whom it belonged. It could not have been anticipated that two months would elapse before such call would be made, nor is it matter for surprise that I should not recall the circumstance of the reception of the bill upon the instant. It seems to me sufficient that I was enabled to correct a first impression and find and deliver the bill within a five minutes' interview with the person who called. My whole purpose and action in this matter has been governed by an earnest desire to protect the public interest by insisting upon those wholesome laws and regulations which have been devised for this purpose; and whatever difference of opinion may be entertained as to who may or may not be purchasing agents for the department, I considered that when I called attention to an apparent exorbitant charge, I was entitled to consideration rather than reproof from the bureau.

Very respectfully, your obedient servant,

E. L. NORTON, Navy Agent.

Rear-Admiral Joseph Smith, Chief of Bureau of Yards and Docks, Washington, D. C.

BUREAU OF YARDS AND DOCKS,

March 7, 1864.

SIR: Your letter of explanation of the 5th instant has just been received. The bureau passed no censure for your declining to pay Lazelle, Perkins & Co. for the shaft for the Cambridge; it would rather approve your action in such cases, and trusts you have always been thus scrupulous and particular in regard to exorbitant claims presented to you for payment; for the bureaus are not always the most correct judges of the proper value of purchases made without investigation. But the bureau did intend to censure you for not reporting the exorbitant price stated by you as charged for the shaft to the authority (the commandant) who approved the bill, instead of putting the bill away, and waiting until the manufacturer called for his money, and then simply telling him you could not pay the bill.

It was your duty to have reported the case to the commandant when the bill came to you, and you objected to it; or you should have reported it to the bureau, making the purchase forthwith. In neglecting to do so, you were, in

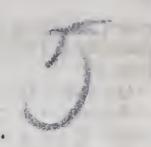
my opinion, derelict in your duty.

As to the cost of night work, it was not for me to decide. All the reports from outsid eestablishments to the department in regard to hours of labor, extra time, and extra pay, state that a large increase is allowed for night work and extra time.

Respectfully, your obedient servant,

JOS. SMITH, Chief of the Bureau.

E. L. NROTON, Esq., Navy Agent, Boston, Massachusetts.



# TESTIMONY

BEFORE THE

# SENATE SELECT COMMITTEE ON NAVAL SUPPLIES.

Testimony of Franklin W. Smith.

FEBRUARY 11, 1864.

FRANKLIN W. SMITH sworn and examined.

By Mr. Hale:

Question. Where do you reside, Mr. Smith?

Answer. In Boston, Massachusetts.

Question. What is your business?

Answer. I am in the hardware business—a member of the firm of Smith Brothers & Co.

Question. How long have you been in that business?

Answer. I have been in it myself since 1846—seventeen years.

Question. Do you know J. L. Savage?

Answer. I have a business acquaintance with him, having met him perhaps four times in New York. I think he resides in Washington. He has business both in New York and Washington.

Question. Do you know C. W. Scofield?

Answer. I have met him as a business man at his place of business three or four times.

Question. Where was his place of business?

Answer. In New York.

Question. State, if you please, if you know any facts going to show a con-

nexion in business between Scofield and Savage.

Answer. I know of no facts showing a connexion of interest or partnership. The only inference I have drawn in the matter is from having seen them in the same counting-room, at the same desk, side by side; and knowing that when I had occasion to find them I found them at the same place associated together.

Question. Do you know H. J. Collins?

Answer. I have no acquaintance with him. I have seen him, I think, but once.

Question. Where was that?

Answer. At the Boston navy yard. He was named to me, in my presence, I think.

Question. State if you know any connexion between Scofield and Savage,

or either of them, and Collins.

Answer. The only knowledge I have of the matter is written information from the Portsmouth navy yard. I addressed the navy agent at Portsmouth, inquiring if Mr. Collins held a power of attorney from Savage to do his business in the early part of 1863, and received a reply that he did hold a power of attorney at that time from J. L. Savage. The precise language of that

power of attorney, copied from the original document, is to be found in a pamphlet published by me called "An Analysis of Certain Navy Contracts," at page 16.

Question. Do you know H. D. Stover?

Answer. I have a business acquaintance with him, having met him in the course of my business.

Question. Do you know, or have you understood, where he is now?

Answer. By information from the newspapers and the Navy Department, I understand he is in Fort Lafayette.

Question. Under what circumstances?

Answer. As informed from the ordnance office in Boston, from the Navy Department here, and from the principal witness at his trial, he is there in consequence of a conviction under a charge of attempting to bribe George H. Jacobs, jr., of Boston, a receiving clerk, to receive less copper than his invoice.

Question. Look at the contract of April 7, 1863, with J. L. Savage, as found at page 976 of the third part of the President's message and accompanying documents of the present session, containing the report of the Secretary of the Navy, which is as follows:

# J. L. SAVAGE. Date of contract, April 7, 1863.

Kittery.—Class F, miscellaneous tools for engineers.

2,000 pounds cotton wiping waste	\$0	80 per pound.
3 anvils, about 200 pounds		00 each.
18 chopping axes, handled	3	00 "
12 small axes, handled	1	50 "
6 calipers	2	00 "
6 dividers	2	00 "
4 grindstones, mounted, about 150 pounds	30	00 "
6 hydraulic jacks	290	00 "
4 scale beams	- 50	00 ".
12 sieves	5	00 "
50 scoop shovels	2	00 "
6 steel squares	2	00 "
6 iron squares	1	50 "
4 dozen Coe's monkey wrenches, assorted	150	00 "
To be delivered as required.		

Now give to the committee the market value and your means of knowing the market value of these different articles. In the first place, what was the market value at that time, April 7, 1863, of cotton wiping waste?

Answer. 35 or 40 cents per pound. We contracted for it at the same date

at 40 cents a pound, as a fair price that would give us a commission.

Question. Look at the next article—three anvils of about 200 pounds, at \$50 each.

Answer. We contracted in July to deliver them at \$30, which we supposed would give us a fair profit—a profit, as we supposed, of about \$7 50 each.

Question. The next item is 18 chopping axes, handled, at \$3 each.

Answer. I cannot say the exact profit on these articles. I can only say that we offered to furnish chopping axes at a dollar and a quarter each. The prices I now give were our contract prices in July, the prices for which we agreed to furnish these axes at the Charlestown yard.

Question. The next item is 12 small axes, handled, at \$1 50 each.

Answer. The market price was 75 cents.

Question. The next item is six calipers, at \$2 each.

Answer. The market price was fifty cents.

Question. The next item is six dividers, at \$2 each.

Answer. We furnished them at Kittery, the same yard, at 75 cents. We have furnished them at 70 cents.

Question. The next item is four grindstones, mounted, about 150 pounds, at

\$30 each.

Answer. We furnished them for \$4 50 at Charlestown.

Question. The next item is six hydraulic jacks, at \$290 each.

Answer. We furnished them to the Kittery yard in July, at \$83 20, but we made a loss on them, and that circumstance should be stated. It is an article that I was unacquainted with, and in the description given in the schedule it was stated that they should be with "toe lifts," to lift them from the ground. Those words involved an extra price of about \$50. That \$50 should be added to the \$83 20, and would make \$133 20, a fair price. We could have furnished them for that, at a slight profit. They would have cost about \$112 or \$115 each.

Question. The next item is four scale beams, at \$50 each.

Answer. We furnished them at \$6 50 for Kittery, the same yard, in July.

Question. The next item is twelve sieves, at \$5 each. Answer. We furnished them for Kittery at \$1 38.

Question. The next item is fifty scoop shovels, at \$2 each.

Answer. We furnished them to the Charlestown yard for ninety-five cents. The prices I have given are all the fair market prices, with the exception of the jacks, on which there was a mistake, as I have said.

Question. The next item is six steel squares, at \$2 each.

Answer. Their market price was 75 cents.

Question. The next item is six iron squares, at \$1 50 each.

Answer. The market price was 23 cents.

Question. The next item is four dozen Coe's monkey wrenches, assorted,

at \$150 per dozen.

Answer. We furnished ten-inch wrenches at \$10 50, and sixteen-inch at \$15, which were fair prices for those sizes; but under this description of "four dozen Coe's monkey wrenches, assorted," they might have claimed sixteen-inch wrenches, although they would not be wanted, but it is a possibility that they might claim them, and would have a right to claim them. Sixteen-inch wrenches, the largest size, would be worth \$15.

Mr. Doolittle. This says \$150.

The witness. I think that is a typographical mistake, because it was extended for a dozen. Perhaps it would be better to say \$20 a dozen for these wrenches, and it would be an extravagant price. I have calculated what would be a fair, liberal average for which we could have furnished these wrenches, from our knowledge of what the department wanted, and it would be an average of \$12 75 per dozen. That is what I have on my book. We would have furnished them for \$12 75 a dozen, considering that we should have at that price a fair market profit.

# By Mr. Hale:

Question. Now, in regard to Savage's contract to which your attention has been called, are you able to state who were the other bidders for that contract? Answer. It appears from the Secretary's report, page 973, that there were two other bidders for that class, F, for the Kittery yard, and they were H. J. Collins and Henry D. Stover. J. L. Savage got the contract. Those were the only bidders.

Question. What was the aggregate of their respective bids?

Answer. Stover's bid was \$5,039; Savage's, \$4,687; and Collins's, \$4,700. Question. Now turn your attention to the contract of Joseph L. Savage of the same date, for class A, boiler iron and rivets, for Kittery, to be found at page 975 of the Secretary's report, and state the same facts in regard to the

charges there contained. The first item is 15,000 pounds best charcoal flange iron, as required, at  $10\frac{1}{4}$  cents a pound. What was the market price of that article?

Answer. Seven and three-fourths cents, as proved by my own knowledge and by the price of Messrs. Pennock & Co., at the same date, for the Washington yard. Pennock & Co. are manufacturers.

Question. Now in regard to the next item, 500 pounds assorted angle iron, at

eight cents a pound.

Answer. Angle iron I am unacquainted with, but I should say eight cents for 500 pounds, from my knowledge, was a fair price. It was a trifling matter.

Question. The next item is 15,000 pounds boiler iron, as required, 16 cents

per pound.

Answer. Seven and three-fourths cents a pound was the price of Messrs. Pennock, manufacturers, at the same time, for the Washington yard.

Question. Have you any knowledge of your own about it?

Answer. Yes, sir; seven and three-fourth cents was a fair price at that time.

Question. The next item is 2,000 pounds boiler rivets, one-fourth inch, put

down here at twelve and one-half cents a pound.

Answer. In my judgment, eight and one-half cents was the market value, and it was the price for which the article was furnished by Messrs. Pennock at the same date.

Question. Who were the bidders for that contract, as appears by the Secretary's report, page 973?

Answer. Stover, \$6,030; Savage, \$4,227 50; and Collins, \$4,980. They

were the only bidders.

Question. Turn your attention to the contract of J. L. Savage, under date of April 7, 1863, for class R, at the Washington navy yard, and tell us in regard to those prices. The first item is twelve thermometers for salinometer vats, at \$15 per dozen. Do you know anything about the price of those articles?

Answer. I do not, without reference to other contracts.

Question. What are the facts in relation to that contract of which you have

minutes that show anything improper in regard to it?

Answer. I make the computation of that contract to be erroneous. It will be necessary to refer to the scale at page 975 of the Secretary's report to see that.

Question. We were the bidders for that contract?

Answer. Collins and Savage.

Question. What is the aggregate of Savage's bid, as given in the report of the Secretary of the Navy?

Answer. \$8,954.

Question. Now state whether or not you have added up and carried out in detail each of those items, and found out what the true addition is.

Answer. By my own calculations, and the verifications of my clerk, we make the correct computation of that contract, as published at page 988 of the report, to be \$10,752—a difference of \$1,798.

Question. Look over that whole contract if you please, and state if you see any article there in the whole list which is under the market value and if so,

state what it is.

Answer. I recognize no article, according to my own information, that is under the market rate.

Question. Now state if you see any articles there that are put at prices very

considerably over the market rate; and if you do, state what they are.

Answer. I see fifty reams of emery cloth at forty dollars per ream. For the size usually furnished, and the size which we have ourselves sold to Scofield or Savage, \$25 a ream is the market price. I see 1,000 pounds of cotton pack-

ing yarn at \$1 60 per pound. Our judgment of a fair market price was sixty cents a pound, and it was contracted for for the Brooklyn yard in July at sixty cents a pound. Then I see 2,000 pounds of oatmeal at 16 cents per pound. My judgment of an ample price is 9 cents, and it was contracted for in July at the Washington yard at 9 cents, and Stover contracted August 14, 1863, to deliver it at three 3 cents a pound. I also see 500 pounds of brass bell-wire at 75 cents a pound, a fair price for which would be 30 or 40 cents, I am uncertain which. It was contracted for at Brooklyn at the same time at 30 cents. I see 100 pounds of copper bell-wire at 80 cents. A fair ample price would be 50 cents; and it was contracted for at Brooklyn at the same time at 50 cents. I detect now steel wire at \$1 50 per pound. My judgment of a fair price would be 30 cents.

Question. State on the same authority as before who were the bidders for that contract.

Answer. H. J. Collins & Co., at \$9,957, and J. L. Savage, at \$8,954; and they appear to have been the only bidders.

Question. Have you formed any calculation, by these prices, of how much

the loss to the government was on that contract?

Answer. I have on the articles which I have named.

Question. Have you as to the whole contract?

Answer. I am not sure that there is not more; but upon the articles named the loss is \$2.265.

Question. Turn your attention to class 14, ash oars to be delivered at Washington, as will be seen on page 894 of the Secretary's report. The contract seems to have been for 5,000 feet white ash oar rafters 12, 14, and 16 feet long, at 24 cents per foot. State what was the market price of those articles, and your

means of knowing.

Answer. From the best information I have, the price for which white oak oars were contracted to be delivered at Kittery was  $6\frac{3}{4}$  cents per foot; and in my judgment it was a fair price. To be sure, one is white oak and the other is white ash, but this is an oar completed and made, and, as I understand the white ash oar rafter, it is the material. But even if it was the oar complete, I should suppose that  $6\frac{3}{4}$  cents per foot, the price of white oak oars at Kittery, was an ample price.

Question. What would be the loss on that bid to the government?

Answer. Taking it at the price at Kittery, the difference would be \$950 11; but there should be some allowance for freight to Washington.

Question. Was there any other bidder for that contract? Answer. There was no other; Savage was the only bidder.

Question. Now turn your attention to pages 884 and 885 of the Secretary's report, where is given the contract with Joseph L. Savage, of April 6, 1863, for class 34, to be delivered at Brooklyn; what have you to say about that? Is there any article in the whole contract below the market price?

Answer. I think the "alphabetical letters and figures" at \$5 per set four sets, are cheaper than we should have been able to supply them, and I think cheaper than the market price by \$5 a set. I detect nothing else below the

market price.

Question. Now state if you see anything there above the market price?

Answer. I find ten jack-screws at \$120 each. The article which we have been called upon to supply for the Charlestown yard, and which was described in similar language and was always satisfactory, and was for the same bureau, and I presume, therefore, was the same article, would have paid us an ample profit at \$20 each, instead of \$120. There are other articles here at ample prices, but I do not detect any others at very excessive prices.

# By Mr. Doolittle:

Question. Are not those articles purchased by reference to a specimen? Answer. Yes, sir; and the sample in the Charlestown yard is what I refer to. We should be very glad to furnish large quantities of these jack-screws, according to that sample, at \$26 each.

# By Mr. Hale:

Question. Turn your attention, if you please, to the contract with Joseph L. Savage, of the date of April 6, 1863, as found at page 874 of the Secretary's report, for class No. 31, zinc and tin, to be supplied at the Kittery yard. Are there any articles in that contract at a higher rate than the market price?

Answer. I see 4,000 pounds of sheet zinc at eighteen cents per pound, an ample price. Smith Brothers & Co., at the same date, bid for it to be delivered

at Charlestown at fifteen cents per pound.

Question. The next article is 3,000 pounds of Banca tin at seventy cents per pound. What about that?

Answer. A fair price, as bid for Charlestown, would be fifty-seven cents. Question. Then there are 20,000 pounds of pig copper at \$20 per box.

Answer. A fair market price, reckoning the contract time, there being some credit about it, would be thirty-nine cents.

Question. Is there anything else in that contract?

Answer. I do not notice any other prices that are remarkable. The roofing tin I am unacquainted with.

# By Mr. Doolittle:

Question. What is the market price of copper now?

Answer. It has been very much less, but I think it is now about forty or forty-two cents.

# By Mr. Hale:

Question. Who were the bidders for that contract?

Answer. Savage, at \$11,860; Stover, at \$12,700, and Collins & Co., at \$11,940. Question. Now turn your attention to the contract with Savage, of April 6, 1863, for class 41, glass, to be delivered at the Brooklyn yard, as found at page 886 of the Secretary's report. Take the first article, 150 lights, 9 by 12 inches, double thick crown glass, at fourteen cents per light.

Answer. I should say that the prices of all the glass from the 9 by 12 to the 24 by 30—the whole list of glass down to lenses—were about the fair market rates. I am not able to state it with exactness, as the sizes vary very much, but

I should say the prices were about the fair market rates.

Question. How is it with the 24 magazine lenses, 12 inches diameter, one and

a half inch thick, polished, \$20 each?

Answer. I think that is a very excessive price. I am unable to state precisely the value of those articles, because they go by weight, at so much per pound. We contracted for them subsequently at very much less, and they were offered by Scofield, for Philadelphia, at the same time, for five dollars each.

Question. Have you anything to say to the other articles in this contract?

Answer. I notice fifty dozen hexagon deck lights, three-inch, at \$17 50 per dozen. I think it is an excessive price; we supply them at less; I think at \$12 per dozen. They were offered by Scofield at the same time at \$12 per dozen. Savage was the only bidder for this class.

Question. Now turn your attention to the contract with Savage, of April 6, 1863, for class No. 41, glass, to be delivered at Washington, as found on page

897 of the Secretary's report, and state anything that you find there.

Answer. I find every article at very exorbitant prices.

Question. Please go into the details.

Answer. There are fifty lights each of blue glass, red glass, and green glass,

10 by 14 inches, at \$1 50 each, which were worth about seventy-five cents; then there are a hundred lights of window glass, 10 by 12 inches, at fifty cents each. It will be noticed that this does not require double glass, but simply window glass; while in the contract last considered, for New York, double crown glass of the same size was offered at sixteen cents per light.

Question. What do you call a fair price for those lights, which are here put

at fifty cents each?

Answer. The price offered in New York I should say was a fair price, sixteen cents, for double crown glass, but that would be too much in this case because the glass is single thick. The price should be much less; I should think one-half less.

Question. That would be eight cents?

Answer. I think so; but I have to be cautious in quoting the prices of such a great variety of articles of merchandise. The next item is seventy-five lights window glass, 12 by 18 inches, at sixty cents each. Double crown glass, 14 by 18 inches, which of course includes this size, was offered by the same party for New York, at twenty-five cents. Then there are fifty lights window glass, 14 by 14 inches, at eighty cents; the same party in New York offered a larger size, 14 by 18 inches, and double thick crown glass, at twenty-five cents. Then there are seventy-five lights window glass, 13 by 16 inches, at ninety cents each; the same party offered for New York, at the same time, double thick crown glass, 14 by 18 inches, at twenty-five cents. Then there are one hundred lights, 12 by 14 inches, at one dollar each; the same party offered the same size glass of double crown, at twenty cents per light, in New York. Then there are six glaziers' diamonds at \$15 each; the same party offered to deliver them at Portsmouth for \$6.

Question. State if there was any other bidder.

Answer. The only bidder, according to the report, was Joseph L. Savage. I make the contract to be incorrectly computed; the bid, as stated on page 871 of the Secretary's report, is \$592; the correct computation is \$652 50. The contract last previously considered for glass, in New York, I make out to be erroneously computed, on page 869 of the report. It is there given at \$1,278 65; I make it \$1,478 65.

Question. Turn your attention to page 876 of the Secretary's report, the contract of J. L. Savage for class No. 41, glass, to be delivered at Kittery. What

have you to say about that?

Answer. I notice one hundred port-lights, seven inches diameter, one and a half inch thick, contracted for at \$2 each, in contrast with twelve one and a half inch, for New York, at \$20 each. It would only cost proportionably according to the weight; the thickness is the same.

Question. Who were bidders for that?

Answer. John H. Bailey bid for this contract.

Question. Turn your attention to the contract with C. W. Scofield, of New York, of March 31, 1863, for class 33, hardware, to be delivered at Philadelphia. The contract is at page 889 of the Secretary's report; do you see anything in that contract under the market price?

Answer. I recognize nothing under the market price.

Question. Do you see anything very much above the market price?

Answer. I recognize 350 gross brass screws, one-half to four inches, Nos. 3 to 24, per sample, at \$6 per gross. They might have demanded under this description screws worth \$6 per gross; but from our experience in furnishing brass screws of the sizes demanded for use in construction by the navy, they would not be worth so much. At the same date we offered to furnish them for the Charlestown yard at \$2 50 a gross, and they were offered for Portsmouth at the same time for \$3 per gross, and both contracts were made. I notice composition spikes, 1,000 pounds, and 5,000 pounds, and 6,000 pounds, and five

thousand pounds, at 40 cents per pound, worth 36 cents per pound; and I notice 5,000 pounds at \$5 per pound, but I presume that is a typographical mistake for 50 cents per pound. Upon that presumption, that it was 50 cents per pound, I find this class erroneously computed by an error of \$2,000, the correct computation being \$12,444 55 instead of \$10,444 55, as stated in the scale on page 870 of the Secretary's report.

Question. Supposing that item to which you have referred to have been \$5,

what would have been the excess?

Answer. If that item was \$5, it would make a difference of \$22,500 against the government. I notice other articles at excessive rates, such as 15 papers of copper tacks at 75 cents per paper, worth from 58 to 63 cents, and smaller articles not of much consequence.

Question. Who were the bidders for that contract?

Answer. C. W. Scofield, at \$10,444 55, according to the scale; Grove & Armbruster, \$11,738 64; H. J. Collins & Company, \$14,038 54; and C. M.

Ghriskey, \$10,480 54.

Question. Now turn your attention to page 978 of the Secretary's report, where is given the contract with C. W. Scofield of March 31, 1863, for class A, boiler iron, tubes, &c., to be delivered at Brooklyn. What was the market price in that case?

Answer. The market value of that iron—flange iron of the best quality—was  $7\frac{3}{4}$  cents per pound, as offered by Messrs. Pennock & Co., manufacturers, at the same time for Washington. The contract price here was  $11\frac{3}{4}$  cents. Here is an item of 2,000 feet of lap-welded iron boiler tubes from  $1\frac{3}{4}$  to 4 inches diameter, at \$3 80 per foot. An ample price at that time would have been for  $1\frac{3}{4}$ -inch 40 cents, for  $2\frac{1}{2}$ -inch 50 cents, for 3-inch 60 cents, for  $3\frac{1}{2}$ -inch 80 cents, for 4-inch \$1 10. The same article was contracted for by the same party in July for 50 cents per foot, to be delivered in Philadelphia.

Question. In consequence of the price having been \$3 80 instead of 50 cents,

what was the loss to the government?

Answer. The loss to the government on these two items of boiler plate and boiler tubes would be \$11,208 40.

Question. Who else were bidders for that contract?

Answer. C. W. Scofield was the only bidder according to the report, page 974. Question. State any facts that you know about erroneous computations in the case of C. W. Scofield's contracts, referring to the pages of the report where they appear?

Answer. The first thing will not appear altogether by the report.

Question. Then turn your attention to the contract with Smith Brothers & Co. for class R, ship chandlery, to be delivered at Charlestown, contract made April 27, 1863, as found at page 977 of the Secretary's report. That contract appears to have been made with your firm. Will you state to whom it was first assigned, and the reason of its transfer to you?

Answer. The contract was first awarded to C. W. Scofield, of New York at

the following prices compared with ours:

	Prices of contract with Mr. Scofield.		Corresponding price of Smith Bros. & Co.	
1,000 pounds nuts 200 pounds packing 200 pounds emery 20 reams emery cloth 20 hydrometers 300 pounds mercury 25 thermometers 25 thermometers 3,000 pounds waste 50 flue brushes 50 flue brushes	20 40 00 1 50 1 25 1 50 1 50 35	\$150,00 140,00 40,00 800,00 30,00 375,00 37,50 37,50 1,050,00 100,00 150,00	\$0 10 60 8 20 50 1 50 75 1 50 1 75 40 1 50 1 00	\$100 00 120 00 16 00 410 00 30 00 225 00 37 50 43 75 1,200 00 75 00 50 00

Having by accident observed a copy of the contract with Scofield, and noticing that the prices for several articles were very much in excess of the prices for which Smith, Brothers & Co. offered the same merchandise, I was induced to compute the contract, and I found an error in the addition of \$1,000, the class being added up \$1,910 instead of \$2,910, the correct computation. I wrote to the chief of the bureau, claiming that the contract of Mr. Scofield should be cancelled and a new one awarded to us. My letter was as follows:

Boston, April 16, 1863.

SIR: We have seen a copy of a contract for class "R," in the schedule as recently advertised, which has been executed between the bureau and Mr. Scofield, of New York, in which the prices set against the articles are respectively as in the statement annexed.

As the prices of our bid (at which we are prepared to execute the contract) aggregate six hundred dollars (\$600) less than the correct total of Mr. Scofield's bid, we claim that the contract with him should be annulled, and a new contract executed with our house.

Allow us to suggest whether similar discrepancies in addition of other bids may not have affected, in like manner, other contracts.

We are your most obedient servants,

SMITH BROTHERS & CO.

B. F. Isherwood, Esq., Chief of the Bureau of Steam Engineering, Washington, D. C.

There were two replies from the bureau, which were as follows:

NAVY DEPARTMENT,
Bureau of Steam Engineering, April 18, 1864.

GENTLEMEN: Your letter of the 16th instant is received, and its subject-matter will be referred at once to the department. You are not, however, the next lowest bidders.

I am, very respectfully, your obedient servant,

B. F. ISHERWOOD, Chief of Bureau.

Messrs. Smith Brothers & Co., Boston.

NAVY DEPARTMENT,
Bureau of Steam Engineering, April 21, 1863.

GENTLEMEN: The proposal of the lowest bidder for class R, at the Charlestown navy yard, having been rejected as a "nominal bid," your proposal has been accepted, and contract is this day forwarded to the navy agent at Boston, which you will please execute at your earliest convenience.

I am, very respectfully, your obedient servant,

B. F. ISHERWOOD, Chief of Bureau.

Messis. Smith Brothers & Co., Boston.

The contract was accordingly awarded to us.

Question. Now give any other instances of erroneous computation in Scofield's contracts.

Answer. There is an erroneous computation in class F, miscellaneous tools for engineers, to be furnished at Brooklyn, the contract being dated March 31, 1863. The contract is on page 979 of the Secretary's report. It is computed at \$1,920 25. It was a contract under the Bureau of Engineering. Scofield was the only bidder. The true computation of the contract as printed is

\$1,623 25; but making two chests of tools \$150 each, instead of \$1 50 each, the contract will add \$1,920 25. We furnished these tool chests for the Charlestown yard—all that were wanted for engineers' use—at \$24 each.

Question. Turn your attention to the contract of the Bureau of Yards and Docks with C. W. Scofield, of July 21, 1863, for class 23, belting, packing, and hose, for the Brooklyn yard, and see if there is not an erroneous computation there.

Answer. It is given at \$6,071 80; correctly computed it is \$7,071 80. The government loses \$839 43 by his bid being taken, instead of the bid of the next highest bidder.

Question. State from the report who were the other bidders, and what were

their prices.

Answer. The other bidders were John R. Elvans, at \$6,402 56; William A. Wheeler, \$8,015 65; James R. Pugh, \$9,966 55; Freeman Orne, \$6,619 50;

H. D. Stover, \$6,232 37.

Question. Please inform the committee all that you know about H. D. Stover's contracts for oil under the advertisement of February 13, 1863, at the several naval stations of the United States, according to the report of the Secre-

tary of the Navy.

Answer. I find that for lard oil, class C, Brooklyn navy yard, H. D. Stover had the contract at \$1 40 per gallon. C. W. Scofield was the next bidder at \$1 43—3 cents difference per gallon in the bids. The market price of the oil was \$1 10. H. D. Stover had the contract for lard oil to be delivered at Washington at \$1 10. There I find that King & Burchell bid \$1 12 per gallon. H. J. Collins & Co.'s bid was \$2,800; William A. Wheeler's, \$2,660; King & Burchell's, \$2,240; and H. D. Stover's, \$2,200. The difference between Stover and King & Burchell is 2 cents a gallon; and in the other case the difference between Scofield and Stover is 3 cents a gallon, and yet Stover gets \$1 10 in the one case, and \$1 40 in the other.

Next as to sperm oil.

There was no contract for sperm oil at Kittery. I find the contract for the Charlestown yard, as executed, at page 977 of the report. Stover took the contract for 3,000 gallons, at \$1 65 per gallon. On page 980 you will find the Brooklyn contract 2,500 gallons, at \$1 68. On page 984 you find the Philadelphia contract 1,000 gallons, at \$2 35. On page 987 you will find his contract for Washington 4,000 gallons, at \$2 44.

Question. At Charlestown how many bidders were there?

Answer. Eight bidders: George Adams, at \$6,750; H. J. Collins, \$7,800; Oakman & Eldridge, \$6,000; Mullett & Bradbury, \$5,700; Tibeon Southard, \$5,880; C. W. Scofield, \$7,200; Burnett Forbes, \$5,100; and Henry D. Stover, \$4,950. The next highest bid in this case was \$1.70. Stover takes it at \$1.65—5 cents difference.

At New York the contract price was \$1 68. The next highest bid was \$1 70. The bidders were C. W. Scofield, \$6,000; H. J. Collins, \$6,500; Burnett Forbes, \$4,250; and Henry D. Stover, \$4,200. The difference in price between Stover and the next highest bidder was 2 cents a gallon.

In Philadelphia there were four bidders: H. D. Stover, at \$2,350; C. W. Scofield, \$2,400; C. M. Ghriskey, \$3,000; and H. J. Collins, \$2,660. The difference there is 5 cents a gallon between Stover and the next highest bid-

der, Scofield.

At Washington there were four bidders: H. J. Collins, at \$11,000; J. L. Savage, \$12,400; William A. Wheeler, \$9,840; and Henry D. Stover, \$9,760. The difference between Stover and the next highest bidder there was 2 cents a gallon.

Question. Now go on and give the June contracts for oil.

Answer. Under the advertisement of May 23, 1863, I find that H. D. Sto-

ver took all the contracts for sperm oil in the various yards at Kittery, \$1 50; Charlestown, \$1 10; New York, \$1 10; Philadelphia, \$1 50; and Washington \$1 75, against 44 bidders.

Question. Please state now the reason why these contracts were bid so much

lower at the June bidding than at the February bidding.

Answer. On or about the 24th of June, 1863, the honorable Secretary of the Navy having taken special measures concerning the opening of bids, several mercantile houses of Boston were by mutual arrangement represented on the occasion, and the opening was, according to request, prosecuted through a continuous sitting. Some bids were inspected, and copies taken. The bids for oil were, as above stated, at prices very much below the market price—from fifteen to fifty per cent. below the market price.

Question. Please turn your attention to the contract of March 30, 1863, with H. D. Stover, for class twenty-five, iron, round, flat, and square, to be delivered at the Brooklyn navy yard. The contract is at page 882 of the Secretary's report. There are 2,000 pounds round iron, from three-sixteenths to two and one-half

inches, at six cents a pound. What was the market price of that?

Answer. The market price was four and one-half cents a pound, and we contracted for it for the Charlestown yard at the same time for four and one-half cents. The next item, square iron, from a quarter to two inches, at seven cents a pound, we contracted for at four and one-half cents, which was the market price. The loss on these two items is \$3,250.

Question. Who were the bidders?

Answer. Joseph L. Savage, at \$17,580; Henry D. Stover, at \$16,060; H. J. Collins & Co., \$16,450; and David W. Weiss, \$16,610.

Question. Do you know anything about Weiss?

Answer. I can find no such name in the New York or Philadelphia Directory, and I can find no such man.

Question. Turn your attention to the contract for class No. 26, steel, to be delivered at the Brooklyn yard, to be found at page 883 of the Secretary's report. That is a contract with Henry D. Stover, dated March 30, 1863. What

have you to say as to those prices?

Answer. I find the prices low. There are four thousand pounds extra cast steel from one-fourth to two and one-half inches square, at twenty cents a pound. That is a very low market price. Then there are six hundred pounds extra cast steel, from two and five-eighths to four inches square, at ten cents a pound one-half the market price. It is a fictitious price. Then there are four thousand pounds octagon steel, extra, from one-half to two and one-half inches square, twenty cents per pound—a low market price. Then there are four hundred pounds round steel, three-fourths to four inches, twenty cents per pound—an ample price. Then there are three thousand pounds extra flat steel, from onehalf to two inches thick, from one to four inches wide, at eighteen cents per pound—a very low price. According to the report, the bidders for this contract were Joseph L. Savage, at \$3,310; Henry D. Stover, \$2,280; H. J. Collins & Co., \$3,328; and Samuel Mulliken & Co., who are manufacturers of steel, \$2,520. Messrs. Samuel Mulliken & Co. are manufacturers of steel of whom we have purchased largely, and I know of nobody in the country that sells it at a less rate, or can afford to sell it at less.

Question. Turn your attention to the contract with H. D. Stover of March 30, 1863, for class No. 25, iron, round, flat, square, &c., for Philadelphia, to be

found at page 888 of the Secretary's report. What about those prices?

Answer. All the articles are at liberal prices, with the exception of ten thousand pounds round iron, three and one-fourth to four and three-fourths inches, at two cents a pound, which is less than half its worth—a fictitious price.

Question. Who were the bidders for that?

Answer. The bidders for that contract were William F. Potts, at \$5,966; Burnett Forbes, \$6,535; C. W. Schofield, \$6,220; Henry D. Stover, \$5,523; and H. J. Collins & Co., \$6,831. William F. Potts is an iron merchant in Philadelphia.

Question. Turn your attention to the contract, to be found at page 883 of the Secretary's report, with H. D. Stover, for class No. 28, iron nails, wrought and cut, to be delivered at Brooklyn, dated March 30, 1863. What do you say about

those prices?

Answer. I see that on fourteen thousand pounds of nails he receives \$400 more than was paid to Smith Brothers & Co. on like quantities of the same description for the Charlestown yard at the same time. I see ten thousand iron cut nails, from four-penny to forty-penny, seven cents per pound. We sold them at five and one-fourth cents, and that was the market price. I see here one thousand pounds iron cut finishing nails, from three-fourths to one and one-half inch, at fifteen cents a pound. We sold them for seven and one-half cents, which was the market price. He got a hundred per cent. advance on the market price. I see three thousand pounds iron brad-headed nails, four-penny to tenpenny, at ten cents per pound. We sold them at five cents a pound.

Question. Who were the bidders for that contract?

Answer. Savage, at \$1,421; Stover, \$1,370; and Collins & Co., \$1,784.

Question. Now turn your attention to the contract, to be found on page 984 of the Secretary's report, with H. D. Stover, of date March 30, 1863, for class A,

boiler iron, to be delivered at the Philadelphia navy yard.

Answer. That contract was for two thousand pounds boiler iron, best charcoal, from one-eighth to one-half thick, at fourteen cents a pound. It was worth seven and three-fourths cents, as previously shown in other statements. It was offered for other yards for that, and that was a fair market price. The bidders were Stover, at \$280; C. W. Scofield, \$394; C. M. Ghriskey, \$300; and H. J. Collins, \$300.

Question. What bids do you find rejected, and on what grounds?

Answer. I find some bids rejected for fictitious prices, because the prices were too low—unreasonably low. I find but one instance of a bid being rejected on account of the prices being too high.

Question. What case was that?

Answer. It was in the case of J. L. Savage's bid for class No. 33, hardware, to be delivered at the Brooklyn yard, as will be found by reference to page 869 of the Secretary's report.

Question. Do you find any rejections of the bids of Messrs. Stover, Savage,

and Scofield?

Answer. With the exception of the bid just named of J. L. Savage, rejected for the prices being too high, I have not found that any of the bids of J. L. Savage, H. D. Stover, or C. W. Scofield were rejected, although I find in some instances in their bids prices as high as twelve times the market value, and in some instances prices at less than one-half the market value, and in one instance about one-twelfth the market price. I will state these cases. I find that J. L. Savage had round iron for six cents per pound, as will be seen at page 873 of the Secretary's report. I find that H. D. Stover had iron for two cents a pound, as will be seen on page 888. I find that J. L. Savage had lenses, 7 by 1½ inch, at \$2 each, and again at another yard, 12 by 1½ inch, at \$20 each. I find that J. L. Savage had Banca tin at 70 cents, as will be seen at page 874, and H. D. Stover at 58 cents, as will be seen at page 883. I find that C. W. Scofield had boiler iron at 11 ¾ cents, as will be seen at page 978, and J. L. Savage had it at 16 cents, as will be seen

on page 975, while Messrs. Pennock & Co., manufacturers, had boiler iron at

 $7\frac{3}{4}$  cents per pound, as will be seen by reference to page 894.

As an instance of a contract awarded to H. D. Stover at a price most fictitious, at a rate too low, I find on page 1010 a contract with him for 50 dozen shovels, scoop, steel, at one dollar per dozen, worth \$12 per dozen.

Question. So far as you have examined this report, and compared the prices

in the contracts you have mentioned, what is the loss to the government?

Answer. I find the loss to the government on these contracts analyzed, and computations considered, to be not less than \$20,000 on a gross amount of about \$90,000, the prices being in excess of fair market values or of prices for the same merchandise in other contracts.

Question. What attracted your suspicion and attention to these contracts,

and induced you to make the analysis which you say you have made?

Answer. In the first place, a report made to me during March or April, 1863, of very excessive prices obtained on certain contracts in the Portsmouth yard—70 cents per pound for Banca tin, and 18 cents for zinc above mentioned—added to subsequent information that Mr. Bailey, of Portsmouth, who has held many contracts for the Kittery yard, did not bid on that occasion, and not being aware of any bidder from Boston or Portsmouth for that class of zinc and tin. That

was the first thing that drew my attention to this matter.

My conviction as to the manner these contracts were obtained was established in consequence of an interview in the counting-room of Smith Brothers & Co., in Boston, held on the 1st of June, 1863. At about 2 p. m. of that day Mr. Pratt, of the firm of Bowers, Pratt & Co., of Boston, entered our counting-room, where were present, during a portion of the time he was there, my father, Mr. Benjamin Smith, and during the whole time, my brother, Mr. Benjamin G. Smith, and myself. He remarked that he had come to consult me on rather a delicate matter. I requested him to proceed. He stated that he was about to obtain some government contracts—navy contracts—or words to that effect. I replied that I saw nothing delicate in that matter; it was a matter of free competition to all. He remarked that he had friends at Washington—"You know how those things are done; a commission fixes them." I replied that I or we had never paid a mill. He said "it had been done; the wheels were greased in the case of the large prices on late contracts." I argued with him that I did not comprehend how it was any object for persons to bid with such expectations of large prices; that we should offer the goods at a mere commission, and there were parties in New York, Mr. Stover and others, who would He said he stood better there probably than Stover did. If the management of things could be left to him in Washington for the joint concern, or for the interest of all concerned, some good prices could be obtained—ought to be 25 to 30 per cent.

I inquired what his expectation was as to outsiders' competition; that the contracts being now limited in quantity, there was nothing to prevent the free competition of all parties. He said as to the outsiders' competition, there need be no fear of that; that could be managed or taken care of, or words to that effect. He said he knew the man from Plymouth county. I did not know to whom he referred, and inquired. He said Mr. Murdock. He afterwards said that he also knew Mr. Farwell. He referred to his intimate relations with them, and his acting for them in the matter of their finances, as having aided and been a party to the purchase of valuable estates, as I understood, by both of them, in Bridgewater, Massachusetts; that he knew them well; that Mrs. Farwell and Mrs. Murdock were soon to see him as to obtaining furniture, or advising with him as to furniture for their houses. He said that he wished to get my acquiescence in the arrangement with him, as he should go

to New York to-morrow to see a party. I asked him how he could expect that Stover, Savage, and Scofield could be brought into such an arrangement. He replied "that would be fixed; they would have to do as others said," or words to that effect. I had not up to that time heard of Mr. Murdock, and have never known him; do not know him by sight at present. I had had some acquaintance with Mr. Farwell, he having rendered me various courtesies on my visits to the bureau in Washington.

I declined giving my assent to any such arrangement; told him I would think of it. He stated that Mr. Matthias Ellis—I think his brother-in-law—was to be concerned with him in the matter; that they wanted the iron and metals as in their special line, and that we could have the hardware. I told him that he could go to New York, and report to me on his return what arrangements

he made.

I immediately communicated the information above stated to the navy agent at Boston—that same afternoon. I am uncertain whether it was before my call upon the navy agent that afternoon, or after that, upon the urgent request of Mr. Pratt, I called upon Mr. Ellis, in his counting-room in Federal street. I met Mr. Pratt there again; they both urged me strongly to acquiesce in the arrangement. Ellis remarked with reference to the facility for obtaining good prices, as above suggested, that if the matter was left to Mr. Pratt it could be arranged; prices could be carried up. Upon my information being given to Mr. Norton, the navy agent at Boston, he remarked with energy and decision, "This must be stopped, no matter at what cost," or to that effect, and arranged with me at the earliest opportunity to see the Hon. Mr. Gooch, the representative of the district in which the yard is situated, for consultation on the subject. I think it was the next day—I am confident it was the next day, at about 10 or 12 in the morning, Mr. Norton and myself called upon Mr. Gooch and gave him the above information. I urged upon Mr. Gooch that efficient measures should be taken to protect the government against such a movement; that I was extremely desirous to have this protection, not only for the sake of the government, but for our own credit as government supplyers; that if such things were to be perpetrated, the inevitable consequence would be that parties associated with the government in business would be scandalized, and their reputations damaged as connected with government transactions, although having no part especially in such wrong; that it would throw universal discredit on all government purchases.

Mr. Gooch assented fully to my solicitation, and expressed himself ready to do anything that was necessary in the matter. He inquired of me what could be done to prevent it. He advised me to await Mr. Pratt's return from New York, and bring him what further was said. Upon his return from New York, some three or four days after, Mr. Pratt called upon us again, in our counting-room, and expressed a desire for my conclusion. I evaded a direct answer, wishing to obtain all the information possible in the matter, and told him that in a few days I would let him know my conclusion. I think it was about a week after that that I said to Mr. Pratt that we had concluded to make up our bids as usual, and send them to Washington, and take our chance for con-

tracts, more or less

Meanwhile Mr. Norton and myself held prolonged consultations with the honorable Mr. Gooch, during which the means of frustrating the plan above named were considered. It was finally decided that I should place certain suggestions of mine in writing, such as the securing bids from all inspection prior to the hour of opening, and a continuous sitting during the opening, so that all the bids might be opened on the same day, and other such precautionary measures carefully drawn. These suggestions having been prepared in writing, were ac-

cepted by Mr. Gooch, as efficient precautionary measures, provided the Secre tary of the Navy could be induced to apply them. As the time for the opening of the bids approached, it was arranged for Mr. Gooch to meet in Washington, I think, Senator Sumner and the honorable Mr. Hooper, and that they should together hold a private interview with the Secretary of the Navy, and press upon him the prompt adoption of these precautionary measures.

Our own firm took further precautionary measures in the matter. We secured the attendance, if I remember rightly, of Mr. Carpenter, of the firm of Banker & Carpenter, of Boston, and Mr. Pippey, of the firm of B. Y. Pippey & Co., of Boston, and I went myself personally to New York and arranged that two clerks in the employment of our New York house should go to Washington

to attend the opening of the bids-Mr. Richardson and Mr. Tower.

Meanwhile I had heard of other contracts at exorbitant prices. This plan, as proposed to me, revealed at once light upon the modus operandi of the matter. I was confident that this could not be the first suggestion of such a scheme, and that previous biddings and awards would reveal the inducements which tempted the proposition of this plan to us; and it was from these convictions that I awaited the publication of the report of the honorable Secretary of the Navy, and proceeded to examine it with the results above stated.

### Testimony of Benjamin G. Smith.

FEBRUARY 12, 1864.

BENJAMIN G. SMITH sworn and examined.

By Mr. Hale:

Question. You may state the conversation which took place in the presence of Mr. F. W. Smith with Mr. Pratt.

Answer. It was on the first of June, 1863. Mr. Pratt, of the firm of Bowers, Pratt & Co., came into our counting-room; our firm is Smith Brothers & Co., of Boston. My brother and myself were present all the time of the conversation; my father a part of the time. He made an application to us to join in a combination to secure contracts. Pratt said "as to competition, there need be no fear of that; that can be managed" or "taken care of," or words to that effect. He said he had friends at Washington, and stood better there probably than Stover did; knew the man from Plymouth county; and remarked "you know how these things are done; a commission fixes them." Then my brother remarked that he had never paid a mill, bringing his fist down with great power on the desk. Pratt said it had been done; the wheels were greased in the case of large prices on late contracts. Pratt said that if the management of things could be left to him in Washington for the joint concern, or for the interests of all concerned, some good prices could be obtained—ought to be 25 to 30 per cent. Pratt requested my brother to have an interview with his brother-in-law, Matthias Ellis, of Boston, who was interested with him. One or two of our clerks were observant of our conversation; I do not know whether they could hear it or not. The memorandum which I hold in my hand was a piece of waste paper on my brother's desk. This conversation occurred about two o'clock p. m. On the same day we recalled the conversation carefully and made note of it on this paper, and were very careful to note nothing which we did

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not precisely remember. It is in my brother's handwriting. Mr. Pratt remarked that he was assisting the wives of Messrs. Murdock and Farwell in the purchase of furniture; one of these men was the man from Plymouth county; that they had purchased valuable estates in the vicinity. Those are all the facts bearing directly on this transaction that I now remember.

# Testimony of E. L. Norton.

FEBRUARY 12, 1864.

E. L. Norton sworn and examined.

By Mr. Hale:

Question. What official position do you hold?

Answer. Navy agent at Boston, Massachusetts.

Question. You can state generally what the duties of a navy agent are, as prescribed by the statute, or by instructions from the Navy Department to you.

Answer. The instructions of the Navy Department do not speak in regard to the agent's duties to pay money. My duties are: first, to pay all audited demands of the Navy Department that are sent to me for payment, to pay moneys on contracts, advance pay to officers, half-pay to the families of seamen and officers, and moneys due on all open purchases without advertisement, made by myself or by the bureau; secondly, my duties are to make open purchases, according to the instructions of the department, of goods required for immediate use, of the best quality, and at a fair market price.

Question. State to the committee whether or not any attempts have been made by any of the bureaus of the Navy Department to interfere with your

duties and control you; and if so, state what they are.

Answer. I will give a history of a few instances that occur to me. Within a very few days after my entering upon the duties of my office I was informed by a hardware merchant of Boston, Mr. Hall, a navy contractor for fourteen years, that there was to be a large requisition for tobacco and bread, and that he desired an opportunity to offer those articles. I told him that when I received the order I would give it attention. About one week subsequently he came to me and informed me that he had furnished those articles; that, by direction of the Bureau of Provisions and Clothing, the inspector at the yard was authorized to make the purchase; that the inspector did not feel himself competent to make the purchase himself, not being a business man, and that he had called upon him (Mr. Hall) to make it, and accordingly he had made the pur-My reply to him was, that of course I had nothing to do with such a transaction as that—it was entirely outside of my office. The bills for the tobacco and bread were subsequently audited by the bureau and paid by me. It was quite a large amount, I think 50,000 pounds of tobacco and 300,000 pounds of In a few days subsequent to that, articles appeared in the newspapers, I believe of New York and of Springfield, Massachusetts, detailing the transaction; and finally I was informed by the chief of the bureau that he repudiated the transaction; and had compelled the hardware merchant to refund some thousands of dollars that were taken out of reservation bills in another bureau, which were likewise paid at my office—from six to eight thousand dollars excess of price.

It appeared from a conversation that I had with the inspector and with the chief of the bureau that the inspector had no authority from the bureau to

make this purchase. The inspector was Paymaster Buchanan, of the navy. The inspector was authorized to procure these articles, but the chief said that he contemplated that he should procure them through the regular channel—through the navy agent.

Question. Now state any other transaction.

Answer. The next transaction of the nature that I recollect was, that there were bills sent to my office from the bureau, approved by the chief of the Bureau of Ordnance, for powder-cloth. The first voucher that came to me for powder-cloth stated simply "powder-cloth, seven thousand and odd hundred dollars," and was approved by the chief, without specifying yards, or any description at all. The voucher was so extraordinary in its character that I laid it aside and did not require the money to pay it, thinking that I would make inquiry of the department in regard to it. It laid there a few days, when another voucher was returned. Both of these vouchers were in favor of Milton, Cushman & Co., of Boston. The subsequent voucher specified the yards, widths, and colors of the powder-cloth, with the prices. In addition to the aggregate of those prices, there was a charge made on the face of the bill of five per cent. commission.

Question. Do you recollect the amount of that last bill?

Answer. Seventeen thousand and odd hundred dollars. I likewise laid that bill aside. Within a day or two the naval officer of the port, Mr. Amos Tuck, called upon me and inquired if I had made purchases of powder-cloth. I told him that I had not, but that I had vouchers in my office for such purchases, apparently made by the chief of the Bureau of Ordnance. He requested meto hold on to those vouchers; that the custom-house authorities were investigating the transaction; that it appeared that Milton, Cushman & Co. claimed that the duties should be remitted upon those goods, and an order had been received from the Secretary of the Treasury authorizing the duties to be remitted, as they were imported on government account, but that the naval officer considered that the price did not indicate that the goods were imported at cost, and he was investigating that matter. He subsequently informed me that they had ascertained that the price was excessive. I likewise took steps to ascertain what a fair price was. I induced a merchant of Boston, B. Y. Pippey, to make the inquiries. He sent to Bradford, England, with samples of the identical goods, and returned an answer to me giving the prices at which the goods could be put down in Boston, free of duty. These prices ranged, I believe, from forty to sixty per cent. below those paid by the bureau.

I considered it my duty to report the transaction to the department. The result was, that the Secretary telegraphed me to withhold the funds. I should say that in the mean time I had put the bills in my requisitions. The funds were in my hands some eight months, about \$25,000. I then was directed to pay the bills, and have been informed since, by the present acting chief of the bureau, Commander Wise, that he made the bargain for the powder-cloth; that he did not intend to pay these parties a profit, but that the department had decided that the terms of the bargain required that they should pay the prices

named in the bills, and I paid them.

Question. State any other attempts that have been made to interfere with

you in your office.

Answer. Attempts have been constantly made by unauthorized persons at the yard to make purchases, under the plea that they were authorized by the department to do so. In some cases I have declined to put the bills in my requisitions, or to recognize the bills at all, on account of the purchases being unauthorized. The next case of the kind that I remember was a purchase of blankets by Paymaster Bradford, acting as inspector of provisions, and clothing at the Charlestown yard. I received a requisition from the yard in due form, drawn by Mr. Bradford and approved by the commandant, for one thousand gray

blankets, as per sample. At the request of Mr. Bradford I delayed purchasing the blankets until, as he said, he could confer with the chief of the bureau in regard to them. I delayed from day to day, asking him in regard to the purchase several times, until finally I learned from a merchant that he had put the blankets into the yard without my knowledge. I then considered it my duty to fill the requisition at once, thinking that blame might be attached to me if I delayed. I accordingly bought the blankets, as per sample, Washington Mills gray blankets, and sent them to the yard. Mr. Bradford refused to inspect the blankets that I purchased, and made out a bill for those purchased by himself and sent it to me. I reported the case to the chief of the bureau. He ordered Mr. Bradford to inspect my blankets, and allowed me to withhold payment for those purchased by Mr. Bradford, saying that he was unauthorized to purchase the blankets himself. Subsequently, upon the representation of the parties who furnished those blankets, (Jordan, Marsh & Co., of Boston,) that they furnished the blankets innocently, without any knowledge in regard to who was authorized to purchase them, the bill was audited and paid. I believe that the price of those blankets was not an excessive one, considering the grade of the blankets, but was about one dollar per pair higher than I paid.

Question. State whether or not any attempts have been made to direct you

as to whom you were to make open purchases of.

Answer. In one case I received a requisition from the yard for, I believe, two hundred tons of Manilla hemp, drawn by the storekeeper originally, and approved by the commandant of the yard, coming from the commandant, the proper authority. With the requisition there were directions to purchase of certain parties.

Question. Name them.

Answer. I cannot recollect them now. Question. Certain parties by name?

Answer. Yes, sir; by name and at a certain price.

Question. Do you mean a fixed price?

Answer. Yes, sir; a fixed price, saying that it was by direction of the chief of the Bureau of Equipment and Recruiting, at that time Admiral Foote. I had had a conversation with Admiral Foote a few weeks previous to that in regard to the purchase of hemp, in which he stated that he did not feel authorized to interfere with the manner of making the purchase with the navy agents; that they were responsible for the purchase; that it must be at a fair price, and subject to test and inspection at the yard. I immediately went into the market, considering it my duty, notwithstanding the instructions, and inquired the price of hemp. I found that I could make a very material saving below the price named in the requisition. I telegraphed the fact to Admiral Foote. I received a reply by telegraph, directing me to purchase where I could purchase at the best advantage. I communicated that reply to the commandant of the yard, and went on and made the purchase accordingly.

Question. In your telegram to Admiral Foote did you inform him of the

directions given you?

Answer. I did, in effect.

Question. Did Admiral Foote make any answer to that part of it?

Answer. He did not.

Question. Is there any other case?

Answer. In March, 1862, I received a requisition from the navy yard in due form, approved by the commandant, for two Sampson bolt-pulling machines, No. 1 and No. 2—price of No. 1, \$950; price of No. 2, \$850.

Question. Do you mean to say those prices were put into the requisition?

Answer. Yes, sir; and the requisition said: "By order of the chief of Bureau of Yards and Docks, dated February 28, 1862. Furnished. (Immediate use.") The bills were rendered with this requisition, or immediately after. I did

not make the purchase. The bills were in favor of Seth Wilmarth. were audited by the bureau and paid by me. In connexion with this I would say that some months afterwards I received a requisition from the commandant of the yard for two Sampson bolt-pulling machines, the same kind of machines in the usual open form. I was waited upon very soon after receiving the requisition by Mr. Wilmarth, and he proposed to furnish them; I told him I would make investigations in regard to the price. Immediately upon receiving the requisition, I had requested a merchant of Boston, Mr. Smith, to make investigation in the New York market, where he had a house, as to the price of these machines. After Mr. Wilmarth called upon me, Mr. Smith reported to me that he could procure the No. 1 machine at \$600 from Mr. Wilmarth's agent and the No. 2 machine at \$500. I closed the bargain with him for the machines at Subsequently Mr. Wilmarth called upon me for an answer, and told me that he would not allow the machines to be delivered to the government at the prices proposed by his agent; that it was an understanding that he should receive more from the government than those prices. I replied to him that unless he allowed the machines to be delivered I should report the matter to the department. He accordingly consented, and the machines were furnished at those prices.

Question. Have there been any recent attempts by the Bureau of Ordnance

to interfere with you? And if there have been, give us the details.

Answer. Some time in August last I received a bill from the ordnance department of the navy yard for worsted throms to the amount of about \$380-a usual open purchase bill. Commodore Missroon is the first ordnance officer in charge at the yard. The bill was not approved by the bureau, and I accordingly returned it to the commandant with my objections to it, as being in violation of law, usage, and the regulations of the department. I received an inquiry from the commandant as to what law or regulation was violated in the purchase. I referred him to chapter 28 of the laws of 1809—section 3 of an act passed March 3, 1809. The regulation to which I referred him was article 1 of the instructions of the Navy Department in regard to the government of yards and docks, issued by the Secretary of the Navy. Article 1, under the head of "Navy Agents," says that all articles to be procured, either upon contract or open purchase, shall be procured by the navy agents, who shall be responsible that they are forthcoming and according to contract, or if upon open purchase, at the lowest market price. I quote from memory, but it is substantially as I give it. The bill subsequently was returned to me from the bureau for payment, with the indorsement of the chief of the bureau, Commander Wise, and was accordingly paid by me, as that has always been considered equivalent to an order to pay. Previous to this time all my purchases had been satisfactory, so far as I knew, to the inspector and to the chief of the bureau. They had all been approved of by those two officers. Very soon after this I was called to an account by the chief of the Bureau of Ordnance for certain purchases made by me. Certain prices that I had paid were criticised. I made explanations which I presume were satisfactory to the chief of ordnance. Soon after that another bill, in favor of Henry Atkins & Co., of Boston, was sent to me for payment from the inspector of ordnance at the navy yard-a purchase not made by me, but by him. The amount of the bill was \$300 or \$400. I took the bill, went to Henry Atkins & Co., and inquired of a member of the firm of whom they received the order for the purchase. He replied that they did not furnish the articles on the bill, but at the request of a Mr. Simpson, of Charlestown, they had permitted the bills to be made in their name. I then went to Mr. Simpson and inquired of whom he received the order for the purchase. He said that it was handed to him by his brother, a clerk in the ordnance office at the navy yard, but that he did not furnish the goods, that they were furnished by Atkins & Co. I reported this case to the chief of the Bureau of Ordnance

here. The inspector, as I found by copies of letters furnished me by the bureau afterwards, was called upon to explain, and he based the transaction upon authority granted to him by the chief of the bureau to make all open purchases direct himself, "in order to avoid any future controversy with the navy agent."

Question. Did he state that, or did you see it in writing?

Answer. It was in a copy of a letter furnished to me by the chief of the Bureau of Ordnance, purporting to have come from Commodore Missroon, inspector of ordnance at Charlestown; to the chief, in explanation of this transaction. I then entered into a correspondence with the chief of the bureau in regard to the matter; and finally, without rendering any formal decision, they have conceded the open purchases to me; that is, all open purchases not made by the chief of the bureau himself.

Question. Are there any other instances that you have particularly on your mind?

Answer. In the latter part of November or the first of December, 1861, I received a requisition from the navy yard, approved by the commandant, "for five sets of Wells and Gorman's submarine armor, complete, to be selected. (Immediate use.") On the face of the requisition was indorsed these words:

"Mr. Thomas F. Wells, the manufacturer, will hand you this.

"WILLIAM L. HUDSON, Commandant."

I ought to say here that the words "to be selected," under the instructions of the department, authorize some person from the navy yard, or some person appointed by the commandant of the yard, to select the articles. Mr. Wells handed me this requisition, and I inquired of him in regard to the armor and the price. He named, as a price, \$2,000 a set, and said that had been fixed with the chief of the Bureau of Yards and Docks, Admiral Smith. I was unacquainted with the article, and suggested to him that the price appeared high. He said that it was not high, that he had had a good deal of trouble and some expense to get the requisition through, and that he would make no reduction; that the price was already fixed. Accordingly he furnished the armor, and the bills were sent to the bureau and audited there and paid by me.

Subsequently to this, I was informed by the storekeeper, Mr. Dunham, that he had accidently fallen in with the actual manufacturer of this armor, and the manufacturer had informed him that the price of the armor was \$1,100; that they

never asked over \$1,400.

Question. Can you state who the manufacturer was, and where he resided?

Answer. I cannot.

Question. Have you stated all the cases of that kind, or was it a common occurrence?

Answer. There were several other instances, but these are all that I now particularly remember. I desire also to state to the committee that the contracts made under the law of the last session are very favorable to the government as compared with the former system; and I believe that the government at our station has made a saving of many thousands of dollars below the average market price which has ruled since the law was enacted. The purchases of navy agents are subjected to very severe criticism, whereas the purchases of the chiefs of the bureaus are not reviewed by anybody. I should like to state here the difference between these purchases.

Question. State it, if you please.

Answer. When the chief of a bureau makes a purchase, not under contract after advertisement, there is no party to review that purchase. The article purchased is subjected to an inspection by an inspector selected by himself, in regard to quantity and quality only, to see that in those respects it conforms to the terms of the bargain. The price is never brought in question by any one. When a purchase is made by a navy agent in the first place, it is founded upon a re-

quisition originating with the authorities of the yard or the Navy Department itself, and it is made under instructions to procure articles of the best quality and at a fair market price. The article is then subjected to the inspection, first, of an inspector at the navy yard, who is to examine it in regard to its quantity and quality and the fairness of the price, and if approved by him, he is to certify to the same. It is then subjected to the inspection of the head of the department in the yard where the article is to be used, who is to make a like examination and a like certificate if approved. It is then submitted to the commandant of the station, who is to make a like examination either by himself or by an agent furnished to him by the department, and he is to make a like certificate. Finally it is submitted to the chief of the bureau for which the article is to be purchased, who is to approve the same before any payment can be made on the bill.

Question. Mr. Norton, you have been navy agent about three years. From your observation, how will purchases made by navy agents and by the officers of the bureau, without the intervention of navy agents, compare as to prices?

Answer. In those cases to which my intention has been directed, I think the purchases by navy agents are better than by the officers of the bureaus. That has been generally so.

# Testimony of Edward B. Neally.

Tuesday, February 16, 1864.

EDWARD B. NEALLY sworn and examined.

By Mr. Hale:

Question. Are the documents which you have brought with you the original bids from the files of the Navy Department?

Answer. Yes, sir; original bids from the files of the Bureau of Steam

Engineering, in the Navy Department.

Question. When the bids are first put in, is there anything more than the

price put down?

Answer. Yes, sir; the prices are carried out in the bids precisely as they are in those which I now present.

Question. Were these bids originally received in pencil or in ink?

Answer. In ink.

Question. [Exhibiting to the witness the bid of H. D. Stover for class C, lard oil, to be delivered at the Charlestown yard.] Look at this bid and tell me if these prices have not been altered?

Answer. Not at all.

Question. Were all these prices received on this paper; \$1 10 a gallon for lubricating oil; \$1 for neat's-foot oil; and \$1 50 for sweet oil?

Answer. Yes, sir.

Question. Were they all received in ink?

Answer. All received in ink.

Question. When were the pencil marks made that are there, do you know? Question. I do not know anything about that. Those must have been there before the bid was put in. It must have been put in by the man in that way.

Question. Now look at this bid and tell me if it is now as it originally came to the office, [exhibiting to the witness the bid of H. D. Stover for class No. 44, tallow, to be delivered at the Charlestown yard, which bid is as follows:

"5,000 pounds pure beef tallow, price 15 cents per pound, \$750.

"Total, six hundred dollars."]

Answer. That is doubtful. That seems to have been recomputed by us from the column of prices, and the changes were probably made at the bureau. We

took as the basis the prices in the column of prices, and if the column of amounts does not foot up according to that, we change it to make it correspond.

Question. Does not the alteration seem to have been made in the price as

well as in the amount there?

Answer. I do not think it was so—it could not have been. Question. Look at it again, and see how it appears now?

Answer. It appears as if it was. It appears as if in the column of prices there was originally a 4 which has been changed to a 5.

Question. Now look at this other bid of Stover's for class E, and state

whether the prices there do not seem to have been altered.

Answer. No, sir; not unless the ink was put over the pencil marks. The ink marks do not seem to have been altered unless there was a new thing put in.

Question. But there are pencil marks under each of the three prices in this bid, are there not?

Answer. Yes, sir.

Question. Now look at his bid for class F, and see if the same is not true there?

Answer. The same is true there.

Question. And of all those prices?

Answer. Almost all of them.

Mr. Hale. Yes, there is one exception, the "5" does not seem to have been altered.

The witness. Nor the "ten" either. Some of the others seem to be.

Question. How is it with class Q, sperm oil?

Answer. The same is true there.

Question. Now show me another bid for class C?

Answer. Here are the bids for the Boston navy yard.

Question. Was Savage a bidder there?

Answer. He was not.

Question. Look over that bid [handing to the witness George Adams's bid] and see if there are any alterations from pencil marks to ink marks there.

Answer. No, sir; some of them are left in pencil, and one is entirely in pencil. This would have been the lowest bid, but it was withdrawn before the

contract was given out.

Question. Now look at the bids of Stover for sperm oil and lard oil to be delivered at Charlestown, and state to the committee whether all or nearly all of Stover's bids appear to have been tampered with in some way before or after they were put in.

Answer. There are ink marks over pencil marks in that and in others.

Question. In nearly every case?

Answer. I think so. The bids are here; you can see.

Question. You have shown us Stover's bid at Charlestown; who was the next lowest bidder there?

Answer. Mullet & Bradbury got the contract. Stover was beaten there. There are two below him on lard oil. Stover did not get the contract on his bid on the class you have been looking at. The contract was givent to Mullet & Bradbury.

Question. Under what advertisement were these bids?

Answer. The advertisement of February 13, 1863—the first advertisement of the bureau.

Question. Look at the bids for sperm oil; who was the next lowest bidder to Stover on that?

Answer. Burnett Forbes appears to have been. Question. How many other bidders were there?

Answer. There were eight bidders altogether under the advertisement of

February 13, 1863, for sperm oil to be delivered at the Charlestown yard, and Mr. Stover got the contract at \$1 65 a gallon.

Question. Tell the committee how much lower Stover's bid was than Forbes's

bid in that case?

Answer. Forbes's bid was \$1 70; Stover's \$1 65 a gallon—a difference of five cents. All the other bids are higher.

Question. Give us the same facts from the bids themselves, in relation to the

bids for sperm oil, to be delivered at New York.

Answer. There were four bidders there—Scofield, Collins, Forbes, and Stover. The contract was given to Stover at \$1.68 a gallon.

Question. State whether every one of the figures in Stover's bids does not appear to have been tampered with in some way.

Answer. The last were changed by us probably.

Question. No matter by whom they were changed, do not they all appear to have been changed?

Answer. The first appear to have been altered from some other figures. If

the aggregate footing does not come out right, we change that.

Question. Look at this paper as closely as you can, and give the committee your judgment whether the original price in this bid, both in pencil and ink, was not \$1 40.

Answer. It looks like it.

Question. Both the pencil and the ink marks?

Answer. Yes, sir.

Question. And it appears to have been changed to \$1 68, does it not?

Answer. Yes, sir.

Question. Does the sum that is carried out appear also to have been changed—the total?

Answer. Yes, sir.

Question. Can you determine what that was?

Answer. No, sir. It is written here "three thousand five hundred dollars." The total footing appears to be \$4,200.

Question. Now show us the next highest bid for that class at New York. Answer. The next highest bidder was Burnett Forbes, and his bid was \$1.70 a gallon—\$4,250 in all.

Question. Now give us the Philadelphia bids.

Answer. Here is Stover's bids for class 2, at the Philadelphia yard.

Question. What is the price that he offers there.?

Answer. \$2 35 a gallon.

Question. State to the committee whether you see any alterations made in

that bid, and begin with the writing first.

Answer. The alteration in the writing is a "three" that is changed. In my handwriting that is, and there is a change in the carrying out \$2,350. These also are my figures.

Question. State whether the other bids under that appear to have been nearly

all altered.

Answer. Yes, sir.

Question. Show us the next highest bid for class Q, sperm oil, at Philadelphia. Answer. The next highest bidder was C. W. Scofield, at \$2 40 a gallon. Question. Have there not been some alterations made there in the prices? Answer. There seem to have been, but he did not get the contract.

By Mr. Doolittle:

Question. If you wish, you can make any explanation you deem proper with reference to these bids.

Answer. When the bids are received, all the force of the bureau is detailed to verify them, to see if they are correct according to the column of prices, and

they are distributed around among the different clerks and engineers; and if the aggregate footings of the bids are not correct according to the column of prices, we make them so. The advertisement states that the column of prices is to be the standard; and if they do not come out according to that, we change them to make them fit, and change the footing accordingly. After that we give the contract to whoever is the lowest bidder. I recognize my own handwriting in that particular case; I recognize that I verified the bid.

Question. Do you recognize the handwriting of these figures in the bid for

sperm oil, at Brooklyn, which has been called to your attention?

Answer. I do not.

Question. How many clerks are these distributed among?

Answer. All we can spare, probably five or six of us in all. It is all done under my supervision.

Question. In relation to this matter of the change of the bid for New York

from \$1 40 to \$1 68, what is your idea in regard to it?

Answer. That the bid when it was opened contained the price of \$1 68, and the corrections in the amounts were made by us, probably. They look to have been made by us. The prices could not have been altered by us without corruption on our part; but the figures in the column of amounts could have been altered, because that we openly do, if necessary. The written sum was "three thousand five hundred dollars," but we take that as of no account. The advertisements state particularly that the column of prices is the standard.

Question. As to this particular contract of Stover, do you remember anything about what clerk or engineer had the bid in his hands for verification?

Answer. I do not remember.

Question. Do you make any mark on the papers to show to whom they go? Answer. We did not at that opening; but afterwards, at the request of Mr. Faxon, I made every person who examined and verified the bids put his initials on those which he examined.

Question. How lately has that been done?

Answer. It was done at the second bidding. Mr. Faxon requested particular precautions to be taken at the second bidding.

By Mr. Hale:

Question. Now look at the Washington bids. What is Stover's price there? Answer. \$2 44 a gallon, for 4,000 gallons. You will find pencil marks throughout the bids as well in those rejected as in those accepted.

Question. In this bid of Stover's for sperm oil to be delivered at Washington,

state whether the total given in ink seems to have been altered.

Answer. Yes, sir; there seems to have been something written over something else.

Question. Can you see what it was?

Answer. It looks as if it were "thousand" written over "hundred."

Question. Who was the next highest bidder for sperm oil at Washington?

Answer. William A. Wheeler, at \$2 46 a gallon.

Question. Do you know Mr. Wheeler?

Answer. Yes, sir.

Question. Where does he keep?

Answer. In New York. He is a stationer, and there was a protest filed in our bureau against his receiving a contract for anything but stationery at the second bidding. This was the first.

Question. Do you know whether that was, in fact, a genuine bid of his or

 $\mathbf{not}\ ?$ 

Answer. As much as I do of any of them. It was received at the bureau as his bid.

Question. Is that all you know about it?

Answer. Yes, sir.

Question. I want you to state, then, as the results of these examinations, whether it appears that Stover got the contract, under that advertisement for sperm oil, for each of the four navy yards, at Charlestown, Brooklyn, Philadelphia, and Washington.

Answer. Yes, sir; and under the next bid, I think, and also for all the others. Question. How much did he underbid the next highest bidder in each case? Answer. He underbid the next highest bidder at Charlestown by five cents a gallon, at New York by two cents, at Philadelphia by five cents, and at Wash-

ington by two cents.

By Mr. Doolittle:

Question. Do you know to which of the clerks any one of these bids of Stover for oil went for examination?

Answer. I cannot say. One which I pointed out to you was corrected by myself. They were distributed around by me to the clerks, corrected by them, and then returned to me.

Question. And one of them you corrected yourself, not in the column of prices, but in the column of figures?

Answer. Yes, sir.

Question. In reference to that alteration in the column of prices, do you know, or have you any means of knowing, when that alteration took place?

Answer. I have not, except that it must have been before the contract was

given out, of course.

Question. But do you know whether the alteration was made before or after it came into the department?

Answer. I presume before.

Question. Where are the bids opened?

Answer. At the bureau.

Question. Who practically opens the bids?

Answer. The chief the bureau, in the presence of two clerks, as the law requires, and in the presence of the bidders, if they choose to attend.

Question. Were you present as one of the clerks at the opening of these

bids?

Answer. Yes.

Question. Have you any means of knowing, from recollection or otherwise, anything about this alteration in the column of prices?

Answer. I have not.

Question. You say they were opened and then distributed by the chief of the

bureau among the clerks?

Answer. They were then given under my charge, and verified by these parties, who were detailed for that purpose. We have a great many engineers there.

Question. Who were the clerks with you that helped to examine those bids? Answer. There was an engineer by the name of Green, a clerk by the name of Murdock, a messenger, whom we used as clerk, by the name of Wight, and an engineer by the name of Bricht.

Question. Are they all still in the department?

Answer. They are not. All but Mr. Murdock are still there.

Question. What is his full name?

Answer. Ira Murdock. He lives in Massachusetts. The others are still there.

By Mr. Hale:

Question. Can you give any explanation of the fact that all these contracts are assigned to Mr. Stover at a rate so very near to the price of the next bidder in every case?

Answer. No, sir; I do not know of any explanation for it. It looks remarkable, but some similarities can be picked out here. For instance, it is charged in a pamphlet that all these parties are one "ring." It seems that for the New York yard "the ring," as they call it, are the only parties bidding. These parties are all supposed to be one, or interested with each other; and if you look there, you will find that on nearly three-fourths of the contracts for the Brooklyn yard they are the only parties bidding. For instance, here are bids for one contract by C. W. Scofield, H. J. Collins, Henry D. Stover, and Burnett Forbes. They bid almost everywhere, and through all the yards.

Question. And with wonderful success, too?

Answer. With wonderful success.

Question. Now look at the next bidding, beginning with Kittery?

Answer. The classes are numbered differently in this bidding. Sperm oil comes in this bidding as class No. 5. This is Stover's bid for 4,000 gallons winter-strained sperm oil, to be delivered at Kittery, at \$1 50 a gallon—\$6,000.

Question. How many other bidders were there for that contract?

Answer. There were nine bidders. There were a great many more bidders at this bidding than the other. For one yard there were as many as there were before for all the yards put together.

Question. Who was the next highest bidder to Stover for that class?

Answer. The next highest bid was that of Southard, Herbert & Co., at \$1 74 a gallon.

By Mr. Doolittle:

Question. Whose initials are on this bid?

Answer. Wallace St. C. Redman. He verified that bid.

By Mr. Hale:

Question. Were not the bids of Stover for oil on this letting objected to by

parties there as being nominal?

Answer. Stover's bids were objected to as being too low, and Mr. Isherwood referred it to the department, who referred it to Admiral Smith and Mr. Lenthall, who decided that we should accept them.

Question. What was the next highest bid in that case?

Answer. There are two next highest, two bidders at \$8,000, or \$2 a gallon. It was noticed in these oil contracts that Stover was much lower than any one else.

Question. Now look at his bid for Charlestown; what was that?

Answer. That was at \$1 10 a gallon; that was one which was objected to.

Question. What was the next highest bid?

Answer. The aggregate of Stover's bid was \$6,600, and the next highest was \$10,200. That was the bid of Mullet & Bradbury, at \$1 70 a gallon.

Question. Now look at the bids for New York.

Answer. Stover got the contract for New York at \$1 10 a gallon, an aggregate of \$8,800.

Question. What was the next highest bid at New York?

Answer. The next highest bid was \$11,920, and from that they range up to seventeen or eighteen thousand dollars.

Question. How many bidders were there?

Answer. Ten bidders. The next highest bidder was Edwin L. Brady, at \$1 49 a gallon,

By Mr. Doolittle:

Question. In relation to that bid, is there any alteration of the figures, or any ink marks written over pencil marks?

Answer. It looks as if it was written over.

Question. What clerk in the department examined that bid when it was given out?

Answer. A. S. Wight.

Question. Is he still in the department?

Answer. Yes, sir.

#### By Mr. Hale:

Question. Now look at the bids for Philadelphia.

Answer. Stover got the contract for 5,000 gallons, at \$1 50 a gallon.

Question. Who was the next highest bidder there?

Answer. C. W. Scofield.

Question. Who was the next highest bidder above Scofield?

Answer. C. B. De La Vergne, whose bid was \$10,000, or \$2 a gallon.

Question. What was Scofield's bid there?

Answer. \$1 70.

Question. How many bidders were there?

Answer. Eight.

Question. Now look at the bids for Washington.

Answer. Stover got the contract for 2,000 gallons at \$1 75.

Question. Who was the next highest bidder?

Answer. King & Burchell, at \$1 90 a gallon, or \$11,400.

Question. Can you state to the committee, or state from your best knowledge and judgment, what was the market price of pure sperm oil at that time?

Answer. I do not know anything about that.

Question. Now look at the bid of C. W. Scofield for class F, "miscellaneous tools for engineers," for the Brooklyn navy yard. I see here "two chests of carpenters' tools, complete, per chest." What is the price given for these articles?

Answer. \$1 50 is marked there. We understood from the carrying out that he must have meant \$150, as this was a ridiculous price, and it was so carried out at \$300. That is, I suppose so. We looked that over lately. I know it was accepted at \$150 each.

Question. Does that item in that bid appear to have been altered in the column

of prices and in the column of amounts both? Answer. Yes, sir; it looks like different ink.

By Mr. Doolittle:

Question. Have you any recollection about the alteration yourself from memory?

Answer. No, sir.

Question. Do you know anything of it except what you think from looking at the paper?

Answer. That is all.

Question. What clerk had this bid?

Answer. It is impossible to tell in any of these, unless we can recognize the

handwriting.

Question. This is one of the first bids. Do you recognize anywhere on this bid the handwriting of the clerk, so that you can judge which clerk had this

Answer. No; there are several changes here.

Question. What did you mean by the remark as to this being a ridiculous

Answer. It was probably carried out \$300. It was considered at \$150 a set. I presume the party in verifying it did not notice that it was really \$1 50. A great many of these things are brought up some times, and we conclude what they mean.

Question. Do you not think, on looking at the paper, and ink, and the alteration, &c., that the bid, as put in, was \$50 a set, and carried out \$100, and that the alteration was by changing \$50 to \$150, and carrying it out \$300?

Answer. The price looks as if it was charged from \$50 to \$150, and the

footing in the column of amounts from \$100 to \$300.

Question. Your impression a short time ago was that in the column of prices it was \$1 50.

Answer. It is \$1 50 when I come to examine it, but it is carried out as if it was \$150.

#### By Mr. Hale:

Question. Look at the next item there, 50 screw wrenches. State whether the price and the aggregate sum seem to have been altered in that case.

Answer. The aggregate seems to have been altered.

Question. How is it with the price?
Answer. It looks as if that was changed.

Question. Now look at the first item in the bid for this same class F, the item of two bellows; does that appear to have been altered both in the price and in the aggregate?

Answer. Yes, sir; a change has been made with darker ink.

Question. Does not that seem, in the first place, to have been two bellows at \$2 a piece, and carried out \$4?

Answer. It looks like \$12 and carried out \$24. It is now \$42 and carried

out \$84.

Question. Look at the item of two oil pumps in the same bid, and state what appears about that.

Answer. It looks as if it was changed.

Question. Can you tell what the changes appear to have been? Have you any opinion about what the changes were?

Answer. None at all.

-Question. Has the aggregate been altered there at the bottom?

Answer. It is footed in pencil, and it is altered. We do that at the bureau.

Ougstion State whether it appears to have been scratched with a knife there

Question. State whether it appears to have been scratched with a knife there.

Answer. Yes, sir; and we should have done that, too, if necessary.

Question. But state what is the fact about it. Does that appear to have been scratched out with a knife?

Answer. Yes, sir; it seems that the footing was scratched out.

Question. How does the footing stand now?

Answer. The aggregate added up, after all these alterations, is \$1,920 25. In writing the total is stated at "one thousand and ten dollars and twenty-five cents." The footing in figures is made by the bureau, as corrected. The figures were corrected and the writing left unchanged.

Question. Do you know that that alteration was made by you?

Answer. I cannot say so, but I think it must have been.

Question. Then these other alterations in the price must have been made by you?

Answer. No, sir. We correct the figures, as a matter of course, where the totals are wrong, but as to the price we could not change that without doing it wrongfully.

Question. Do you state that you know or have any knowledge that that was

done by you as to this particular bid?

Answer. No, sir; except that it was done in a great many of them. I mean to say that it would not prove anything, one way or another, whether it was so or not. We should have done it without any hesitation.

Mr. Doolittle. You mean as to verifying the figures?

The witness. Certainly, as to verifying the figures; but the prices in the bids could not be changed without corruption.

By Mr. Hale:

Question. In the bid of Scofield for class C, lard oil, to be delivered at Brooklyn, do not the price, the aggregate, the total in figures, and the total in writing, all appear to have been altered?

Answer. Yes, sir; it looks so.

Question. How is it for the next class for the Brooklyn yard, class E, gum packing, &c.? State whether that does not appear to have been altered in the total, in the addition, and in the writing.

Answer. Yes, sir; there have been changes made.

Question. How is it with class D?

Answer. That looks so, too. You are asking me to judge from the looks,

just as any other man would.

Mr. HALE. Yes. sir. Turn your attention now to class R, for the Brooklyn yard, and state whether there have not been alterations made in the aggregate of Scofield's bid there?

Answer. Yes, sir.

Question. State whether it is carried out differently from the writing.

Answer. Yes, sir; it is.

Question. What is the writing?

Answer. The writing is "seven thousand two hundred and fourteen dollars and five cents;" and the figures are \$8,794 05. We would do that as a matter of course, if necessary.

Question. Now turn your attention to the bid for class V, for the Brooklyn yard, and state whether there appear to have been various alterations made

there, both in the price and in the aggregate.

Answer. I would not want to say certainly. There might have been an alteration in one 3 which I notice, and there certainly is an alteration in the footing.

Question. Here is an item of ten globe valves, two inch, with or without flanges; state whether the price of that appears to have been altered or not.

Answer. It may have been altered.

Question. Have you an opinion on it from the appearance of the figures?

Answer. Not as clearly as in some of the other cases. A 1 may have been altered to a 2, but I would not like to express an opinion on that. I can only say it may have been altered, but it does not appear so manifestly.

Question. The next item is five globe valves, five and five and a half inch,

with or without flanges; has there been an alteration there? Answer. There has been an alteration in the carrying out.

Question. Does it appear to have been \$15 carried out \$75?

Answer. It does.

Question. The next item is four globe valves, three inch, with or without flanges; what does that price appear to have been at first?

Answer. It looks as if it was written \$20 and altered to \$45. Question. Does the carrying out appear to have been altered?

Answer. Not unless there has been a 1 put on so as to make 80 one hundred and eighty.

Question. The next item is 50 cast-iron flanges, extra, assorted; how about that?

Answer. That has been changed in the same way. The figure 2 there looks as if it was 9, but I am not certain about that.

Question. Do the price and the aggregate both appear to have been altered

in that case?

Answer. I am not clear that the price has been altered, but I am clear that

the total has been. I think it possible that a 5 which I see here may have been originally a cypher. The aggregate has been changed.

Question. Please state what is the alteration made in the aggregate footing

and the writing.

Answer. It is written "one thousand and five dollars and twenty-five cents," and the figures are \$1,630 25.

Question. Do the figures appear to have been altered?

Answer. Yes, sir; that was an alteration we should have made, if necessary.

By Mr. Doolittle:

Question. In regard to the bids that came in at this first bidding, those accepted and those rejected, were there pencil marks on almost the whole of them?

Answer. If you will allow me to do so, I should like in my testimony to make

a general statement of all I know about the whole thing.

Question. State all the facts about the business.

Answer, I should like to put on record whatever I know about it. We have had two biddings—one under an advertisement in February, and the other in May. The bids under the February advertisement were opened by the chief of the bureau in the presence of two of us, and were taken by me, locked up by me, and verified under my supervision. The corrections that it was necessary to make according to the prices we did make without any hesitation, and gave the contracts accordingly. They were at all times open so that any person could come in and examine them, and they were examined.

Mr. HALE. Do you mean before they were signed?

The witness. After.

Question. How was it before?

Answer. We did not see them ourselves, if you mean the bids. They were sealed.

Mr. Doolittle. After they were put into your hands for verification could anybody get access to them without your knowledge? For instance, could Stover come in and get at his papers so as that he could change them?

Answer. I was there during office hours and locked them up when I went

away. They were not put into a burglar-proof safe.

Question. Were they placed so that he or anybody could get at them after they were in, so as to change them?

Answer. I think not; after office hours the whole department is in charge of a watchman.

FEBRUARY 20, 1864.

EDWARD B. NEALLY recalled and examined.

By Mr. Doolittle:

Question. So far as you know, do you know of any alteration whatever in those bids which you have brought to our attention, in the column of prices, after they came into the department?

Answer. I am perfectly certain that there were none such. Question. How are you certain that there were none?

Answer. I am morally certain. I am as certain myself as I should be if they were put into a burglar-proof safe.

Question. How do you explain these apparent pencil marks and alterations,

&c., that appear on the bids?

Answer. Since I was examined before I have made an examination of all these bids, which I should be willing to do here before the committee again, and I find that there are some alterations in prices in bids on which the parties did not get contracts, as in those on which they did get contracts. I have examined them all in detail, in regard to the parties charged, and I find this to be true, that in the columns of prices of the bids of Messrs. Scofield, Stover, Sav

age, and Collins, there are the following changes: In Scofield's bids there are changes in the columns of prices for classes A, F, and R, at Philadelphia; B, C, E, F, R, V, and 44X, at Brooklyn; that of those he only got two, F and V, and the explanation is that it is hardly probable there could have been collusion in all those he did not get, as in the case of class B, of Brooklyn, Mr. Scofield's bid of \$3,225 becomes mere waste paper after the bid of Mr. Townsend, for more than one thousand dollars less, is accepted. In the bids of Savage, I find there are only alterations in the prices of classes F and L, at Washington, and A, at Kittery, in the item of rivets. Of these he only got a contract for class A, at Kittery. In the bids of Stover, there are changes in the column of prices in E, Q, 26X, 31X, 33X, and 44X, at Brooklyn, and 44X, at Boston, which he got, and in 28X, at Brooklyn, and A, E, F, and R, at Kittery, which he did not get. In the bids of Collins, there are changes in class F, Kittery; F, R, and 44X, at Boston; K, R, 31X, 33X, and 38X, at Brooklyn; 26X and R, at Washington; and Q and R, at Philadelphia; and yet Collins & Co., though they bid for almost every class, only got a contract for one class. These changes in the prices were made by the bidders themselves before the bids were put in. The general rough appearance of the bids was noticed at the time of the opening, and one or two errors of computation were discovered. This is not unusual. You will find it so at every bidding. When I speak of changes I mean alterations in the bids as they were originally put down on the paper. There appear to have been changes in the prices as they were originally written.

Question. Has your attention been called to the kind of ink and the hand in which these changes were made, as compared with the ink in which the signa-

ture of the bidder was written?

Answer. That would not prove anything; but I have noticed that there are two kinds of ink on the bids.

Question. But did you notice whether the ink in which the bidder signed his name and the handwriting of the signature corresponded with the ink with

which, and the hand in which, the changes were made?

Answer. I have not compared that. The bidder might have signed the bid before he made the changes, or afterwards. You will find that those changes are usual in all the bids in all the bureaus-perhaps changed by the party just before he put them in. To show the committee how much injustice might be done to a bureau in a case of suspicion, I wish to allude to one case particularly. At the June lettings 50,000 pounds of copper were called for at the Washington yard, in the schedule for which Mr. Savage put in a bid, and it was footed \$15,975, which footing was read and taken down by the bidders who were present. That would have been  $31\frac{95}{100}$  cents a pound. After the bids were opened, in the presence of the bidders, Mr. Savage stepped forward and said to the chief of the bureau that just before putting his bid in he had concluded to lessen the price of his copper one cent a pound, making it  $30\frac{95}{100}$  cents a pound, which made the aggregate \$15,475. The chief of the bureau and the bidders looked at it and found it was so, and a note was made for it to be corrected accordingly. At \$15,975 there would have been another bidder below him at \$15,750, but this correction that was made made Mr. Savage the lowest bidder, his bid being then \$15,475. These bids having been locked in the Secretary's safe all the time before they were opened, and attention having been called to this bid as soon as it was opened, there was no possibility of any collusion; but otherwise, it might have been and probably would have been charged, and it would have been exceedingly difficult for the bureau to meet it.

#### By Mr. Hale:

Question. When did you say that alteration was made in Savage's bid?

Answer. Mr. Savage said it had been done before the bid was put in. It appeared a plain scratch, the 1 in the price  $31\frac{95}{100}$  cents a chaged to cipaher.

Rep. No. 99——7

Question. When did Mr. Savage make that statement?

Answer. At the time the bidders were there, and as soon as the opening was closed.

Question. How did it appear by the bid as it then was? Was the bid corrected then by that statement?

Answer. The bid was corrected in the price, but not in the carrying out.

Question. Do you mean that the bid was corrected at that time?

Answer. No; the bid was  $30\frac{95}{100}$  cents in the column of prices. The correction had been made in the price but not in the carrying out, so that the aggregate appeared to be \$15,975, and he wished us to verify it on the principle laid down that the column of prices was to be the standard.

#### By Mr. Doolittle:

Question. Your expression perhaps leaves it doubtful whether the correction in the price was made after the bids were opened, or did he say then that he had corrected it just before he put in the bid?

Answer. He said he had corrected it just before he put it in.

Question. Was the paper altered in the price there after it was opened?

Answer. No, sir; the bureau had no right to change the price. He stated that he had done it before he put it in, and he wanted the aggregate corrected to correspond.

#### By Mr. Hale:

Question. You say Mr. Savage called attention to that, and asked that it might be corrected?

Answer. He asked that the footing might be corrected.

Question. Will you state whether Mr. Savage mentioned any other bids of his where the price had been altered, and asked that the footing should be made to correspond?

Answer. He did not.

Question. Will you state whether or not you found a great many bids of Mr. Savage where the price had been altered either before or after they were put in, and the footing had not been altered to correspond?

Answer. Not a great many. I have given you those here of the February

letting.

Question. Were there not many? The witness. Where do you mean?

Mr. HALE. I mean just what is seen here in this bid. Were there not a great many cases where Savage's bids had been altered in the price without altering the aggregate?

Answer. I think there were a great many such cases as that.

Question. In Savage's bids? Answer. In Savage's bids.

Question. Did he call attention to any of them except this one?

Answer. I never knew him to do it.

Question. Was his attention called to this?

Answer. No; he never was present.

Question. Was he not present when the bids were opened?

Answer. They were not verified that day. I do not know any other case where it would have put him under, where he appeared to be above.

Question. Were there not cases, where Savage was the only bidder, where these alterations were frequently made which carried his bids very much higher?

Answer. I do not know of such.

Question. Do you not know of any case where Savage was the only bidder, and these alterations appeared on the bids?

Answer. I do not know of a contract given to him where he was the only bidder.

Question. No matter about a contract: was there any such bid of his where these alterations appear?

Answer. I do not know of any such bid.

By Mr. Doolittle:

Question. Will you state the practical mode of receiving and opening the

bids in your bureau?

Answer. They are sent in the mail to the chief of the bureau, directed to him, taken charge of by him until the opening, put into one of his drawers, I think, and opened by him in the presence of two clerks. At the first bidding, these two clerks were Mr. Murdock and myself; at the second bidding, Mr. Deeble and myself.

Question. Were the bidders present also at the opening?

Answer. Yes, sir, at both the openings—not all of them, but a good many. There was a large crowd present at the second opening. There were but very few present at the first.

Question. At the time those bids were opened were alterations observed on them, where the figures had been written in the first place and then altered?

Did you take any notice of that?

Answer. The rough appearance of the bids was noticed—the fact that there were changes of some kind; I do not know what, particularly. Mr. Isherwood remarked it.

Question. Did you look at the papers yourself?

Answer. No, sir; I took them on the scale as Mr. Isherwood read them off. Question. In what respect did Mr. Isherwood remark something about their rough appearance?

Answer. The figures fixed up, dirty looking ones.

Question. Do you mean that the figures had been written over and altered

Answer. Yes, sir; some with erasures, some without erasures, and some where pencil marks had been written over with ink. All these were noticed at I cannot testify as to any particular one, but the general rough . appearance of the bids as though they had been gotten up in all sorts of ways was noticed.

Question. Now what do you know about their being a combination between

certain contractors, for instance, Savage, Scofield, Collins, and Stover?

Answer. Forbes, too, has been charged as being connected with them. I want to say that the bureau has no knowledge whatever of such a combination, and if it had it is powerless to resist it. As long as A, B, and C put in their bids in proper form, with proper guarantees, the law gives no discretion about receiving their bids. But if there is such a combination, it works no injury to the bona fide bidder, because he has a right to put in such a bid as he pleases, to be present there when it is opened, and to inspect it, which the bidders have done at these general openings, and done so far as to put down the column of prices in their note books in full, and the bids are at all times open to public examination, and annually the accepted bids-the contracts-are published in

Question. You say that such combinations cannot impose on bona fide bidders?

Answer. I do.

Question. Cannot these combinations, by getting up fictitious bidders, by getting some irresponsible person to put in a bid lower than any which a bona fide bidder would put in, drive the honest bidder out? Could they not, in that way, procure the acceptance of a fictitious bid, and they become responsible for it, and make it good, and in that way drive out bona fide bidders altogether?

Answer. A man puts in a bid. If anybody fills the contract under it, and

makes it good, I do not see that the government loses anything; but the only way in which persons could be imposed upon by a fictitious bidder, where the full face of the thing is required, is by his putting in a bid which he does not mean to execute, and then it becomes optional with the parties above to accept They are not bound to fill out a contract on the basis of their bids after the thing has been declared in favor of somebody else. On the supposition that there was a combination between Stover, Savage, Collins, Scofield, and Forbes, you will find by an examination of the bids that wherever another party has come in and bid against the combination, he has generally beaten them, so that the combination cannot work any injury to a bona fide bidder. For instance, in class E, at Kittery, there are only two bidders against the combination, and one of them got the contract. In class R, at Kittery, John H. Bailey bid \$509, while Mr. Savage is the next bidder above at \$1,107. In class C, at Charlestown, where outsiders come in, they beat them; Oakman & Eldridge beat them in class T; Smith Brothers & Co. beat them in class F, and so I might go through with a great many and show that generally wherever any party opposes this socalled combination he beats them. There were fifty bids accepted; that is all except one for stationery, at Washington, where this combination did not bid; and out of those there were ninteen where they were the only bidders, and of the remaining thirty-one where they met with competition, they only won thirteen and lost eighteen; or adding up the whole number of their bids, out of seventy-six bids the combination won 13, or 16 per cent., and outsiders out of forty-nine bids won 18, or 35 per cent.

#### By Mr. Hale:

Question. Does your analysis extend to showing the average prices where

there was no bidder against them, and where there was?

Answer. I took the whole number of bids. I took out the nineteen bids where they were the only bidders, and made the analysis with regard to those where there was competition.

Question. How were the prices where they were the only bidders?

Answer. Their prices were sometimes high in those cases where they were the only bidders; but those parties that bid high where they got the contracts, bid high also where they lost them.

Question. How high were some of those classes where those men were the only bidders? Were there any as high as 1,000 per cent. above the market price?

The witness. Of a whole class?

Mr. Hale. No; any considerable portion of a class.

Answer. I do not know. The screw wrenches have been charged to be so. Question. Were there any cases, where they were the only bidders, where the price of the class was 100 per cent. above the market price?

Answer. I think there were; but I do not know what they were, except what

is charged in the pamphlet. I am not familiar with prices.

Question. You have undertaken to give your testimony as to prices?

Answer. I want to give you in regard to these bids only. Taking this as a basis, it is charged, for instance, that classes A and F, at Kittery, were given out at high prices. What I mean to say is, that these same parties who bid high for what they got bid high for what they did not get, as in class R, at Kittery, the contract for which John H. Bailey got at \$509, while Mr. Savage's bid was over 150 per cent. above that—\$1,107. For class D, at Boston, Scofield bids \$5,000, when the lowest bid was \$1,900, and it is so through all this class. For class 36X, at Boston, Banker & Carpenter bid \$200; Scofield \$230; Collins \$288; Adams \$320, and Forbes \$320. For class T, at that yard, Collins bid \$1,200; Forbes \$1,500; Scofield \$1,800; and Oakman & Eldridge \$5,550. Messrs. Smith Brothers make a charge that they could have bid at 100 per cent. less, but the bureau had nothing to do with that; they only bid for two classes, and

got them both. To show what injustice might be done, I wish to call the attention of the committee to two classes. Here is class R, at Kittery, for which Mr. Bailey got the contract at \$509; the next bidder was Mr. Savage, at \$1,107; if Mr. Bailey had not bid, the contract would have been given to the next bidder at more than double that amount, so that Mr. Bailey has saved the bureau from another charge in the pamphlet alluded to, of giving out a contract at more than 100 per cent. above a fair price. The same thing is true in regard to class T, at Charlestown, where the contract was given at \$550; and if those parties who got it had not bid, it would have been given to Mr. Collins at \$1,200, or nearly 150 per cent. advance on the bid of Oakman & Eldridge.

Question. How was it with the wrench contract; was Savage the only bidder

there?

Answer. No, sir; Collins, Stover, and Savage were the bidders for that?

Question. Were not the prices at which that contract was awarded to Savage

higher than any bid rejected for fictitious prices?

Answer. There was no bid rejected by us for fictitious prices until after we found that we had made a mistake. After we found that we had made a mistake in one particular, and given the contract to the wrong man, we considered that the next bidder above had fictitious prices, and his bid was thrown out after consultation.

Question. What do you understand by fictitious prices?

Answer. Something that is ridiculous; for instance, half a cent for pig iron. Question: Suppose the bid as is much above as that would be below the regular price, what then?

Answer. "Fictitious prices" have no application to these contracts that I can

see.

Question. That is not an answer. I asked you what you consider a fictitious price. You said where it is ridiculous; as for instance, half a cent a pound for anything that is worth ten cents. Then I ask you if a price that much higher than the market price is not fictitious?

Answer. If the word "fictitious" means "false," it goes up as well as down.

I mean to say we did not throw out any bids for fictitious prices at first.

### By Mr. Doolittle:

Question. Is there anything you wish to explain in regard to the pencil marks? Answer. What I mean to say is, that there are a great many bids in which the prices appear at first to have been in pencil marks and inked afterwards. You will find that that is very common in all the bids. It is probably because they only have one copy of the schedule, and make their first rough computation upon it in pencil. The bids of Messrs. Smith Brothers & Co., who prefer charges against this bureau, have these same pencil marks. If there is any explanation required in regard to the fluctuation in the oil prices at the different yards I can give it.

Mr. Doolittle. You can state that.

The witness. The explanation could be given more fully by the commandant of the yard, or the navy agent, who have the business part of these things to carry out. I want it noticed that there is the same low price at particular yards at all the biddings. For instance, they bid uniformly low at New York, and uniformly high at Washington. The explanation of that is, that there are scarcely any shipments made from Washington to the squadrons, and the largest amount of shipments are made from New York, and the preference in the open purchases is understood to be given to the contractor, so that, perhaps, he might be willing to lose money on his contract for the purpose of getting the open purchases; for instance, Mr. Stover might have been willing to lose the money which he would lose on 5,000 gallons of sperm oil, at \$1 10, when he could get

the shipments for which purchases were made in the open market amounting sometimes to 50,000 gallons.

Question. And those purchases are at the market price?

Answer. Yes, sir.

#### By Mr. Hale:

Question. Explain right there why, when you make all your shipments from New York for the various stations, you advertise for so small a quantity there

as 5,000 gallons?

Answer. That we have nothing to do with at the bureau, though, perhaps, the bureau ought to exercise a greater supervision. We write instructions to the commandants of the yards to have estimates prepared of the quantities they will probably require. They send on these schedules, and we get them printed, and receive bids for them. It is the commandant who makes the estimates.

#### By Mr. Doolittle:

Question. Who was the commandant of the New York navy yard when the

5,000 gallons were wanted?

Answer. Rear-Admiral Paulding has been commandant there for more than the life of our bureau. In regard to one party being agent for another, which has been stated, there is no information whatever on the files of the bureau about it, and it would not tolerate such a thing. It deals with nobody but the contractors directly. It has been said in a pamphlet that in these March bids Messrs. Savage and Scofield were partners together. Whether that be true or not makes no difference, because they did not bid at the same yards. Mr. Savage bid only at Kittery and Washington, and Mr. Scofield at the others.

#### By Mr. Hale:

Question. Have Savage and Scofield been bidders for a long time?

Answer. All those parties who are charged with being in the combination are old bidders at the Bureau of Construction.

# Testimony of Charles A. Secor.

FEBRUARY 18, 1864.

CHARLES A. SECOR sworn and examined.

# By Mr. Hale:

Question. State what your business is, where you reside, and what firm you belong to.

Answer. I represent my brother, Zeno Secor, of the firm of Secor & Co., in

his matters here and generally. I am not in partnership with him.

Question. State whether or not, as representing your brother, you have done anything with or for the Navy Department.

Answer. Yes, sir.

Question. State what your business connexions with the Navy Department have been, and when they commenced.

Answer. Years ago we built dry docks for the government.

Question. We confine the question to your connexion with the department

since the beginning of this administration.

Answer. In 1860 we had a contract for some supplies of the navy in the winter, amounting to about \$8,000. I came on here in 1861, because they were asking us to furnish without regard to limit, and the prices rose so speedily and wonderfully that there was money to be lost on it. I went to Mr. Lenthall and tried to make some arrangement with him, but I could not. We supplied

\*\$48,000 worth of goods under a contract which called for about \$8,000 worth. My brother being a ship-carpenter and ship-builder, I applied, on his advice, for a vessel of the same class that Ericsson was building, and on the same terms. I went to see him about it, and we made estimates, as far as we could, and we took the contract and built the Weehawken. We afterwards took the contract and built the Camanche. Then there was an advertisement for nine vessels, which are being built, and we took the contract under that advertisement for three of them—the Mahopac, the Tecumseh, and the Manhattan. They are about being finished, and the Tecumseh will be out this week. Afterwards we took one of the double-enders.

Question. Go back to the Weehawken. What was the price for her?

Answer. Four hundred thousand dollars was to be paid for her, according to the plans of the Monitor. She was to go about seven knots an hour, I think.

Question. Was the price dependent upon the speed?

Answer. It was not; for we got the plans, and we paid Captain Ericsson one per cent., \$4,000, for the plans. It appears the government adopted his plans, and therefore the responsibility of speed was not on us. We built her in five months and a half.

Question. How was it about getting your pay?

Answer. They kept back 25 per cent., and Commodore Rodgers started with her, and took her to Fortress Monroe. The night before she arrived there was a terribly stormy night. I was awake here all night at the hotel. I feared that she had gone down. In the morning I went up to the department and saw the Secretary. He said that there was some news that one of the boats had arrived at Fortress Monroe. I of course was very anxious, and staid around until they got another despatch. They got one from Commodore Rodgers, which stated that she had arrived there all right, and well. They thought that was trial enough for the machinery, and they paid me the per-centage that

had been kept back.

I will state further, that in building this vessel Captain Ericsson changed the plans of the port-stoppers and various things of that kind. The bill for changes of the old Monitor plan, the turret and the machinery, amounted to about \$30,000. Mr. Lenthall cut that down to \$22,000, or rather the board did, which was composed of Mr. Stimers, Captain Gregory, and those gentlemen. Then they agreed to pay us, if we worked nights and Sundays, and kept our machinery all going to get the vessel done speedily; they agreed to pay us the excess for that; that is, deducting five-eighths of that time to go for the benefit of the contract, we were to be paid back the extra wages we paid for the three-eighths, but we have never got that money yet. It amounted to some \$32,000.

Question. State if you have ever paid any consideration to anybody for get-

Answer. No, sir; I have not.

Question. Have you ever made any presents to anybody?

Answer. I came on here when I had bills for the repairs of some vessels in 1861; the bills were quite heavy, amounting, I think, to \$60 000. Mr. John J. Cisco, the assistant treasurer at New York, was here, and I asked him if he would speak to some of the gentlemen around the Treasury Department to aid me in getting some money which I wanted very much. He went and spoke to Mr. Henderson and Mr. Harrington. Mr. Henderson appeared to take a great deal of pains, and helped me through with the requisition. In about two weeks after that I sent him some cigars and a little wine. I do not know that he knows, where they came from. The cost of them, I believe, was about \$100. That is the only transaction I ever had with him or anybody else in reference to getting requisitions or money. I went to the Secretary himself, and asked him, and I went also to Mr. Fox, and Mr. Faxon, and Mr. Stickney, but I have

never given them a penny. I have paid gentlemen here, agents while I was away. I have paid Mr. North and Mr. Scott, who were not in any office, \$40 for a bill of \$40,000, which I thought they earned, because they were attending to our business. I knew Mr. North a good while; and I knew Mr. Scott, and knew his father; was very intimate with him a great many years ago.

Question. Did you ever pay anything to Faxon?

Answer. No, sir, not a dollar,

Question. Did you ever make him any present?

Answer. No, sir.

Question. Did you ever tell anybody that you had?

Answer. No, sir.

Question. Do you know whether Faxon ever got any of your requisitions put through?

Answer. No, sir; but at the request of the Secretary he has given me a line to the Treasury Department, and so the Secretary has too, and Mr. Fox has.

Question. What was the purport of those lines that you received from Faxon, from Fox, and from the Secretary?

Answer. I cannot tell. I did not look at them.

Question. How do you know that Faxon's line was at the request of the Secretary?

Answer. He told me it was. I applied to the Secretary, and he sent me to

Mr. Faxon, or to Mr. Fox, or to Mr. Stickney.

Question. You say that Faxon gave you a line to the warrant officer of the Treasury Department?

Answer. Yes, sir, or to the Secretary of the Treasury, I do not know which

it was.

Question. What was it about?

Answer. It was for me to get the money on our bills. Question. What was the line that Faxon gave you?

Answer. Merely to expedite my getting the money for our bills, which always had the preference he told me, as they wanted the iron-clad vessels built quick.

Question. How do you know that it was at the request of the Secretary that Faxon gave you those lines?

Answer. I went to the Secretary of the Navy myself twice or three times.

By Mr. Doolittle:

Question. Was this while you were going on with your contracts to build the vessels?

Answer. Yes, sir.

By Mr. Hale:

Question. You say you went to the Secretary; what then?

Answer. I applied to him, and told him we were suffering for the want of money to go on with our work, and asked him if he would not aid us in getting it through. He said yes; and told me to go to Mr. Faxon, or Mr. Fox, or Mr. Stickney, as the case was.

Question. You went then to Faxon?

Answer. Yes, sir.

Question. What did you tell Faxon?

Answer, I asked him if he would not go over, or if he would not give me a line to the Treasury Department, so that I could get our bills through, and he did so.

Question. Which did he do—Did he give you a line, or go over to the Treasury Department?

Answer. Sometimes he said he was going to have business over there and would go himself, and sometimes he gave me a line.

Question. How often did he give you a line?

Answer. Twice, I think.

Question. How many times did he go?

Answer. Three or four times. You understand that our business has been very heavy in these contracts, and sometimes we are suffering, as we are now. The Navy Department are keeping back our money in a very unjust and unfair manner, as I think.

Question. When Faxon went over to the Treasury Department, did he go

with you?

Answer. He did not go with me. He said he would go over, he had some business there, and was going to see about getting some money for the navy yards, or for labor, or something of that kind, that had to be paid.

Question. Then you did not go with him?

Answer. I never went with him.

Question. How soon did you get the money after Faxon went over?

Answer. Sometimes one day, or two days, or three days, or four days, as the case might be.

Question. Was it ever longer than four days? Answer. Yes, sir; sometimes it was two weeks. Question. I mean after Faxon had gone over?

Answer. Yes, sir. Mr. Henderson said they had not the means to pay; the army must have the preference.

#### By Mr. Doolittle:

Question. State what Mr. Faxon, or Mr. Fox, or Mr. Welles told you in re-

lation to the rule that prevailed on the subject, if there was any rule?

Answer. They told me that the iron-clad vessels had the preference in getting money next to labor in the navy yards and the pay of the army. The army comes first, the labor in the navy yards next, and then the iron-clads, as they wanted them so much; and then they did not pay us in certificates which were at a discount, but in cash.

### By Mr. Hale:

Question. Do you know H. D. Stover?

Answer. Yes, sir.

Question. Did you ever tell him that you had made presents to Faxon? Answer. No, sir.

Question. Did you ever have any conversation with him about Faxon?

Answer. I do not know that I did. I know him as a machinist, that is all. He is a member of the machinists' association, and we bought machinery of him.

Question. Did you ever have anything to do with the Bureau of Engineering? Answer. No, sir, and I am very glad of it. I was going to have two of those large engines, but I see that the men are going to lose about 20 per cent. on them.

Question. Did you ever have anything to do with the Bureau of Construction?

Answer. Yes, sir; our contracts now are with that bureau.

Question. When did you first begin to contract with the Bureau of Construction?

Answer. In 1861, I would like to say to the committee that I was known here, as your chairman, Mr. Hale, has known me for a good many years as connected with the dry docks in connexion with Mr. Daken. When I came on here I brought from such houses as Gebhardt & Schuchardt, and Duncan, Sherman & Co., and about forty presidents of our banks, and various leading mechanics, letters stating that we were parties who, if we took hold to build any vessels for the government, would do it with all our might and thoroughness; and that, I presume, is the way Mr. Welles was influenced to give us this work.

Question. Have you ever made any presents to anybody in the Bureau of

Construction?

Answer. No, sir.

Question. Do you know of any ever having been made?

Answer. I do not.

Question. Do you know anything about any bids having been tampered with? Answer. I do not. We have bid ourselves sometimes. My sons are ship chandlers, and I was a ship chandler proper myself, until I built a railroad out west, and then, of course, I had enough to do to attend to that. We have put in bids several times, but have never got any contracts, although the concern has been in the business almost as long as any house. My father before me was in that business for fifty or sixty years.

Question. Do you know of any presents having been made to anybody in

either of those bureaus?

Answer. I do not.

Question. And you have made none yourself?

Answer. None whatever. I did business with that department previous to 1853 for a long period of years. When gentlemen connected with it have come to New York, and been a little short of money, I have loaned them some money which they have paid me. I do not mean leading men, but some of the subordinates, clerks.

Question. What clerks have you loaned money to?

Answer. I mean some of the clerks that were in the department. A gentleman, the other day, lost \$200, and came to me and asked me to loan him the money, and I did so. I merely know him; he knows my family and I know him. My experience with the Navy Department has been that they are rather severe in the line of duty, as I have thought.

Question. Is the substance of the whole of your testimony that you know of no unfair or improper practices either in the bids or getting requisitions through

in any way or manner?

Answer, I do not. The only thing I ever knew is what I have told you. That, feeling very much gratified with the way Mr. Henderson treated me, I sent him some cigars and a little wine. He was very kind, indeed, and I thought it was a mere little compliment, not thinking there would be any words about it. I have been here a great deal in my life, and I have never known anything wrong connected with any officer of the Navy Department.

# By Mr. Doolittle:

Question. From the time you took the contract to which you have alluded up to the present time, state whether the amount of work which was being done for the government upon the iron-clads was very great and pressed upon all the

great shops?

Answer. It has been; and that, and the China work, and the steam work, have made prices almost fabulous. The cost now is entirely different from what any of us ever expected when we took those contracts. Fortunately for the firm which I represent, we went right to work and bought all the materials we could get.

# Testimony of Joseph Pratt.

FEBRUARY 18, 1864.

JOSEPH PRATT sworn and examined.

By Mr. Hale:

Question. State your name and place of business. Answer. Joseph Pratt, Boston.

Question. Have you ever had any contracts with the Navy Department? Answer. No, sir.

Question. Nor with any of its bureaus?

Answer. No, sir. I am connected with some gentlemen who have a contract for casting some shell for the Ordnance department, I believe it is. I do not know whether you would call that the Navy Department or not.

Mr. HALE: There is an Ordnance department in the army and in the navy

both.

The witness. We have a contract, in connexion with Mr. Matthias Ellis and Mr. Everett, to make five thousand shells, 2,500 ten-inch and 2,500 eleveninch, I think. It was given out by Mr. Wise.

Question. When was that given out?

Answer. I do not know exactly the date. I should think two or three onths ago.

Question. Did you ever make any bids for contracts with the Navy Depart-

ment?

Answer. No, sir.

Question. Did you ever propose to any party to make bids?

Answer. I think I may have talked about it.

Question. With whom?

Answer. With different parties. I think I have talked about it, perhaps, with a good many parties, but I never did bid. I had in contemplation at one time bidding for some of the supplies, but finally concluded not to bid.

Question. Did you ever have any talk with F. W. Smith about it?

Answer. I think I may. I think I suggested to him at one time that I thought of bidding.

Question. When was that?

Answer. I cannot say when; I do not remember the date; but some little time previous to the bids or proposals that were issued by the department for supplying materials.

Question. In what year? Answer. Last year, 1863.

Question. What was the tenor of your conversation with him, or the amount of it?

Answer. As nearly as I can recollect it, I proposed to go in with him—we were in the foundry and metal business—and perhaps we might work together for the mutual benefit of both parties. We made and manufactured a great many things that the navy called for. I say "we," because I am one of a firm, and if I had bid it would have been as a firm, or as one of a firm, supposing that the firm would manufacture those things. I am of the firm of Bowers, Pratt & Co., and we cast stoves, cabooses, and various things which the navy uses.

Question. Confine yourself to the statement of what occurred with Mr. F. W.

Smith.

Answer. That is as near as I can give it to you, according to my recollection.

Question. When you proposed that you and he should go together or should unite, was there any mode specified or suggested by which the arrangement was to be carried out?

Answer. No, sir.

Question. Was there anything said about a commission to be paid to anybody?

Answer. No, sir.

Question. Was there anything said about "greasing the wheels?"

Answer. No, sir.

Question. Neither at that time, nor at any other?

Answer. No, sir.

Question. Was there any statement made that large prices had been obtained by paying a commission, or greasing the wheels?

Answer. No, sir.

Question. Or that they might be?

Answer. No, sir.

Question. Do you recollect commencing a conversation with Mr. F. W. Smith when Benjamin G. Smith and his father were present, in their counting-room?

Answer. I remember having some conversation with him in their counting-room; who was present I do not know. I think all the conversation I ever had there was with Frank Smith. I do not remember having any conversation with any other party. There might have been other parties present. I am not certain.

Question. In that conversation did you propose to go to Washington, or New York, or to either of those places, to make arrangements?

Answer. No, sir.

Question. Did you go to either of those places?

Answer. No, sir.

Question. And did not propose to?

Answer. No, sir.

Question. Do you know Ira Murdock, of Bridgewater, Massachusetts?

Answer. Yes, sir. I wish to make a statement in relation to my answer in regard to the conversation with Smith Brothers, as it might seem to conflict with what I had previously stated. I have stated before that I had a conversation with other parties, I cannot say who; but I never recollect having any conversation with any of the Smiths except Frank Smith.

Question. You say you know Murdock. How long have you known him?

Answer. From his infancy, I should think.

Question. Do you know whether he was ever a clerk in the Bureau of Engineering?

Answer. I have understood so.

Question. Do you know Farwell, the chief clerk of the Bureau of Construction?

Answer. I do. I suppose him to be the Farwell I know.

Question. How long have you known him?

Answer. I have known him since some time last summer, I think.

Question. How did you make his acquaintance?

Answer. I think I met him for the first time on board a steamboat going to New York. He was with Mr. Murdock.

Question. Did Mr. Murdock introduce him to you?

Answer. Yes, sir.

Question. Have you seen him frequently since?

Answer. Once or twice, I think. Question. Do you know his wife?

Answer. No, sir; I never saw her.

Question. Do you know Murdock's wife?

Answer. Well, sir, I think I should know her. I have seen her three or four times in my life. My acquaintance with her is very slight. Perhaps I have not had five minutes' conversation in my life with her.

Question. Have you been employed by either of those gentlemen or their

wives to do any business for them?

Answer. No, sir.

Question. Of no kind?

Answer. No, sir.

Question. Did you ever state that you had?

Answer. No. sir.

Question. Do you know whether they have purchased any estates in or about Boston?

Answer. I understood so. Question. How lately?

Answer. I should think during 1863, some time.

By Mr. Doolittle:

Question. Who had purchased?

Answer. Murdock and Farwell; I understand both of them. Mr. Murdock, I am very sure, has. I cannot say as to Mr. Farwell.

By Mr. Hale:

Question. Did you ever have any conversation with either of them about those estates?

Answer. No. sir.

Question. How did you learn that they had purchased them?

Answer. It was general report.

Question. Do you know where they are?

Answer. Yes, sir.

Question. State it, if you please. Answer. They are in Bridgewater.

Question. Both of them?

Answer. Yes, sir.

Question. Did you know anything about the purchases at the time they made

them, or either of them?

Answer. Only report; that is all I know. Mr. Murdock, I think, told me that he had purchased an estate. In fact he wished me to buy this estate that Mr. Farwell has; and I once went to Bridgewater with the idea, if it suited me, of buying it. He told me of it, and I went there and looked at the house and land.

Question. At what time was that?

Answer. I should think it was in the spring of 1863. I could not say when. I did not charge my memory with it. I looked it over. The man who owned it—Perkins, I think, his name was—showed me over the place and told me something about the price.

By Mr. Doolittle:

Question. What was the price?

Answer. I do not recollect; but I should think eight or nine or ten thousand dollars—somewhere in that neighborhood. The next I heard about it was that Mr. Farwell had bought it; but I never heard it from him. All I know about that is hearsay. At the same time I remember going to Mr. Murdock's house and his showing me about the premises.

By Mr. Hale:

Question. How much of a place was that that you understood Farwell had

bought?

Answer. I should think two or three acres of land, for a guess. I could not say exactly—a few acres; there might have been five or six acres, or there might not have been more than two. There were very handsome grounds in front of the house, and it was a pretty good-looking place for the country.

Question. You may state, because it is familiar to you and me, too, the dis-

tance from Bridgewater to Boston.

Answer. I should think about twenty-five miles.

Question. By railroad?

Answer. Yes, sir.

By Mr. Doolittle:

Question. Is it a village?

Answer. It is a country village.

By Mr. Hale:

Question. There are several Bridgewater villages. Is this Bridgewater?
Answer. This is Bridgewater. They sometimes call it South Bridgewater, but I believe the post-office address is Bridgewater. Bridgewater is divided

into four: east, west, north, and south.

Question. Is it on the Old Colony railroad?

Answer. Yes, sir; on the Old Colony and Newport railroad, as it is now called. They have changed the name.

Question. Did you buy furniture for either of those places?

Answer. No, sir.

Question. Were you applied to to do so?

Answer. No, sir.

Question. Who occupies either of them now?

Answer. I suppose their families do, but I do not know. Mr. Murdock and his family, I am quite sure, occupy his?

Question. Do you know of whom Farwell bought?

Answer. I think the man's name was Perkins; what his christian name was I cannot say.

Question. Do you know of whom Murdock bought? Answer. He bought of a man by the name of Hunt.

Question. Do you know his christian name?

Answer. I do not.

Question. Were you consulted about either of those purchases?

Answer. No, sir.

By Mr. Doolittle:

Question. I understood you to say you went to look at this house, which Farwell subsequently bought, for yourself?

Answer. Yes, sir; at the suggestion of Mr. Murdock.

Question. In that suggestion was there any connexion with the name of Farwell; that you should buy it for Farwell or for his family?

Answer. No, sir. At that time I do not think I had heard the name of Far-

well, and did not know there was such a man,

Question. It was before you were introduced to him on the steamboat?

Answer. Yes, sir.

Question. Now, I wish to ask you whether, in the conversation with Mr. Smith, in their counting-room, you did not say that you were furnishing in some way the families of some persons connected with the department, in Bridgewater?

Answer. No, sir.

Question. Nothing of the kind?

Answer. No, sir.

Question. Nor any intimation of that sort?

Answer. No, sir; I never had anything to do with it, and do not know the families. I never saw any of Mr. Farwell's family except himself, to my knowledge, in my life; and I never saw Mr. Murdock's wife but two or three times in my life.

Question. In connexion with a declaration to Smith that there was a way to get these contracts through, to grease the wheels and get them through, was there nothing of that kind said or intimated by you that you had certain fami-

lies on your hands and were furnishing them?

Answer. No, sir; never.

Question. What is the name of your firm?

Answer. Bowers, Pratt & Co.

Question. Is that an old firm in Boston?

Answer. Mr. Bowers and myself commenced business in Boston in 1841, I think.

Question. Have you been doing a large business?

Answer. We keep from seventy-five to one hundred men.

Question. What business is Frank W. Smith in?

Answer. He is in the hardware business.

Question. Do you know whether he has ever had any contracts with the government?

Answer. I understood so.

Question. Do you know anything about a contract between Smith and the Navy Department for the delivery of iron?

Answer. I have heard that he delivered iron.

Question. Did you have a conversation with him about it?

Answer. No, sir.

Question. Did you sell some iron to Smith Brothers & Co. for them to deliver to the Boston navy yard?

Answer. I sold some iron to them through a broker that I understood to be

for the Boston or Charlestown navy yard.

Question. Do you remember at what price you sold it to them?

Answer. I do not.

Question. Do you remember whether you had offered the same iron to the navy agent at Boston for a price considerably less than you sold it to the Smiths for?

Answer. If I remember rightly, I think I sold it to them for one dollar per ton more than I offered it for to the navy agent.

Question. Do you know how long that was before you sold to Smith?

Answer. I had the order from Smith the very same day. It came through a broker.

Question. Did you have a conversation with Smith, in which he spoke to you on the subject of your offering it so low to the navy agent?

Answer. No, sir; with the broker. I had no conversation with Smith about it.

Question. Your conversation was with the broker?

Answer. Yes, sir. I can state the conversation as nearly as I can recollect it. Question. What is that broker's name?

Answer. E. P. Cutler.

Question. What did he say about your offering it-I mean on the subject of

Answer. He said Mr. Smith was a good deal excited (I do not know that that was the word, but that was the meaning of it) because I had offered this iron so low; that he did not mean anybody should underbid him; he calculated he could supply iron as low as anybody; or something like that.

Question. Was there anything said that if you had not offered it so low he

could have got a great deal more for it?

Answer I think there was.

Question. What was said on that point of price?

Answer. This broker said: "Why do you put it so low? They have been paying more than that for iron." If you wish me, I can go back and state the

whole transaction, as nearly as I can recollect it.

Mr. Doolittle. I do not want to make it too long. We are looking into this matter a little to see if we can understand how it is that what we think are too high prices are sometimes put upon the Navy Department. We want to get at this that we may know how to prevent it.

The witness. Mr. Norton, the navy agent, came into our office and said that

he wanted some cheap iron for ballast, I think, and I told him I had no such iron as he wanted, but suggested to him that it would be better to purchase number one iron, which, when there was no further use for it for ballast, could be used for manufacturing purposes. He replied that he thought that was a good idea himself; but inasmuch as he had purchased a few days, or a short time previously, some iron for the same purpose at a less cost than I asked for this Scotch iron, he thought he would have to make an explanation, and that would cause a good deal of trouble and fuss, and that if he could get the cheap iron at the same price he would purchase the cheap iron. I then suggested to him that I thought I might find some for him, and that if I could I would let He said, "I wish you would, and let me know by twelve o'clock, I went out and found that I could purchase some hard iron, so that I could furnish it at the same price—not remembering what that price was that he had purchased previously, and make a dollar or a dollar and a half a I immediately sent a note to him that I had found some iron that I could sell at the same price that he purchased before; but getting no reply to it, I went to his office. He was not in. I waited there a little while, and he did I told some one of the clerks who was there—I do not rememnot come in. ber which clerk now—that I wanted to see Mr. Norton about some iron; that I had found some such as he desired. The reply was, "We have changed our mind about the iron; we have concluded to buy some number one iron, and we have seen just what we want, and we have purchased." I then went back to my office. I had not been back more than five minutes before this Mr. Cutler came in, and said, "What have you been doing about the navy agent, offering iron so low?" and then comes in the conversation that I have repeated before, about my offering iron so low. He then bought the iron of me at a dollar more than I had named.

Question. Was that the same iron he delivered to the navy agent?

Answer. Yes, sir; the same iron. Although they said they had seen it, that was a mistake; they had not seen it, because it was in our store; and that very iron, I suppose, went to the navy yard at Charlestown at a dollar or a dollar and a half more. I know it was more, but I cannot say how much.

Question. Do you know anything about Smith delivering to the navy yard

what is called "Straight's tin," under his contract for "Banca tin?"

Answer. I have heard such a report. I do not know it.

Question. What I want to ask is, what is the difference, in fact, in the value of Straight's tin and Banca tin?

Answer. I think, now, about seven or eight cents.

Question. What was it a year ago?

Answer. There is always a corresponding difference.

Question. What is the Banca tin worth?

· Answer. I do not know now what it is worth.

Question. About how much difference in price is there between them?

Answer. About seven or eight cents.

Question. Mr. Pratt, you are a man of practical business experience. Do you know of any way, or have you any suggestion to make as to any checks or guards to prevent the government or the department being imposed upon by high prices, so that they can purchase just as well as other purchasers in the market?

Answer. No, sir; I do not know that I have. I never had anything to do with it. I do not know how much they are cheated, or how badly. I know (at least I have good reason to believe, and I can almost say I know) that contracts formerly were given out for pig iron; for instance, so many tons of Scotch and so many tons of American, and the records of the contracts will show that bids have been sent in offering Scotch iron for half a dollar a ton and American iron for thirty-one dollars, or thereabouts.

Question. What was Scotch iron worth at the time when such bids were made?

Answer. About twenty-four dollars.

Question. And bids were put in for half a dollar a ton?

Answer. Yes, sir.

Question. They are called fictitious bids?

Answer. Yes, sir. I suppose they never deliver any of those very low-priced articles.

Question. You have no knowledge, in any way, about Mr. Farwell's financial

affairs?

Answer. Not the slightest.

Question. Do you know what they were when he became clerk in the department?

Answer. I do not.

Question. Or at any time since?

Answer. No, sir; my acquaintance with Mr. Farwell is very limited indeed.

### Testimony of A. B. Farwell.

FEBRUARY 19, 1864.

A. B. FARWELL sworn and examined.

By Mr. Hale:

Question. The bids which you have brought here are the originals from your bureau?

Answer. Yes, sir.

Question. Turn your attention to the bid of C. W. Scofield for class 33, hardware, to be delivered at Philadelphia under the February bidding, his contract being dated March 31, 1863, and first say how the item 5,000 eight-inch composition spikes in that bid is printed in the Secretary's report.

Answer. It is printed at \$5 a pound. Question. What was the actual bid?

Answer. Ten cents a pound.

Question. Now look at that original bid and tell the committee whether you think the original price has been altered.

Answer. I do not think it has been altered. What I mean to say is, that I

think it is just as it came into the bureau?

Question. State whether you think it has been altered since the figures were

originally made.

Answer. I should think that the figure 1 in the 10 is evidently in a new place, or else it is an altered figure, for it is quite evident that there was part of a figure in front of it at one time.

Question. Look at it through the glass, and give us your opinion whether

there has been an erasure there and a new figure inserted?

Answer. I give it as my opinion, as I did before, that it is precisely as it came into the bureau, but there has evidently been an erasure there.

Question. Look at it again, and state whether you see any indication there

that the original figure in the column of prices was a 5.

Answer. No, sir; I do not see any evidence that it was originally a 5.

Question. State whether the same alteration as in the price appears to have been made in the aggregate.

Answer. No, sir; it looks to me as though the 5 had been placed back. It seems as if it was first placed too far front, and was now placed back under the proper column.

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Question. My question is simply whether there has been some alteration made

there of the figures?

Answer. I should not think there had been any change in the character of the figures. It is quite evident that the locality of the one figure to which I have called attention has been placed back.

Question. Has there been some erasure or alteration made there?

Answer. I have no doubt that the bid has been changed. That is quite evident.

Question. Look over this one bid and see in how many instances there appear to have been alterations in the column of prices, and name them in their order, no matter what the alterations were?

Answer. [After looking at the paper.] I do not see any other.

Question. Then I will turn your attention particularly to the item, "knobs for furniture, R. and L., complete, per dozen." Have the figures opposite that item in the column of prices been altered or not?

Answer. I should not think they had been. I should think the cypher there was added without any alteration of a figure. It looks originally as if there

might have been a cypher placed there and erased.

Question. How is it with regard to the item, "two dozen brass dead latches with knobs, half with reversed bevels;" does there appear to have been any

alteration in the price made there?

Answer. I do not know how to answer the question. There seems to have been an erasure there. That is my first answer. As carried out, the aggregate agreeing with the price, there seems to have been no alteration in the price, but there has been an erasure.

Question. Now look at the item, "250 gross iron screws;" does there seem

to have been any alteration in the price made there?

Answer. There appears to have been an erasure, but no alteration of price, as

the aggregate agrees with the column of prices.

Question. In the last item on that page does there or not appear to have been an alteration in the price and in the aggregate, no matter what the alterations were? This is the item to which I before referred as to composition spikes.

Answer. My answer to that is, that there appear to have been erasures there. Whether there were any alterations or not, I cannot tell from anything I can discover. The erasures have been both in the price column and in the aggregate column.

Question. And where the footing of that page is carried on to the next page does there seem to have been an alteration made?

Answer. No, sir; I should not think there was. It looks as though pencil marks had been drawn across to strike the figures out.

Question. What do the pencil marks appear to have been? Look at them

through the glass.

Answer. I should say that those pencil figures were \$4,041 55. The amount in ink is \$4,551 55. I do not mean to say that these were pencil figures made in the bureau. I do not know where they were made.

Question. See if there seems to have been any erasure made where the figures

45 are inserted?

Answer. I do not discover any evidence of any alteration there.

Question. Or any erasure?

Answer. I do not discover any.

Question. Are those figures made in the same ink as the others?

Answer. The ink is blacker than in the others, unless more ink has been put on. It is not the same shade by any means.

Question. And where the aggregate is cast up there does there seem to have

been anything erased under that?

Answer. I should say that there had been pencil marks there, and that they

were rubbed out and other pencil marks put in their place. I do not think there has been anything put under that \$4,041 55. The pencil marks in the margin are the pencil marks made in the bureau. In our bureau we do not change the aggregate columns in the verifications, but put our corrections in the margin in pencil, so that the bids show what the aggregates were originally, and what they are by the verifications. This one appears to have been reduced some \$505 from the original figures.

Question. Look at the bid itself, and say whether that is the way it originally came into the bureau, or whether any of these figures in different inks were sub-

sequently put in?

Answer. That is just as it came into the bureau.

Question. When these bids come in is the aggregate always carried out against the price?

Answer. Always, I think. I do not now remember any instance where it

was not done.

Question. Now, in Scofield's bid for class 46, Philadelphia, state whether the price and the aggregate, both or either of them, have been altered in the item.

"50 yards green baize."

Answer. I should say that there had been an erasure there in the price column. In the aggregate column \$62 50 seem to have been the original figures in ink, and the 6 has been changed to a 1, and then the figure 1 prefixed to it. As verified, it is \$112 50 instead of \$62 50.

Question. Now look at the item, "20,000 square feet hair felt;" does there appear to have been any change in the column of prices opposite that item?

Answer. I should think that figure was not as it was originally made, but I should say that in both cases they are precisely as they came into the bureau, as you will see when I come to tell you how they are received and opened.

Question. You may make your statement now in regard to the manner of

opening and keeping the bids.

Answer. These bids are received, a very small portion of them, through the mail. The mail is always brought by our messenger, and by the messenger passed directly to the chief of the bureau. The larger portion of them are brought in by the competitors on the day of the opening, and handed directly to the chief of the bureau. By the chief of the bureau they are put into a private box, or drawer, and he always keeps the key himself, so far as I know. In other words, I have never known where it was. They are kept there up to the day of the opening, The last three openings have been made publicly—the last one by order of the law of Congress, and the two previous ones by order of the Secretary of the Navy. The bids are opened by the chief of the bureau, and the prices are read by him-the aggregate column without any reference to the column of prices. The aggregates are given of each class. By another clerk they are entered on the scale prepared for the purpose. Then they are passed to me, and a minute is made on the back of them. Then the aggregate is read over, as entered upon the scale, by the clerk making it, and I look at the bottom of the bids and see if the scale agrees with the aggregate prices in the bids. After this entry is made on the back of the bids they are thrown on a large table, so that any of the competitors or any other persons outside have liberty to examine them and take notes of them at the time if they desire to do so; and in very many instances competitors examine them and call attention to errors at the time. After the competitors and others have got through making such examinations as they desire, the bids just opened are put by and we take up another class. We go through this process class by class. After all the bids are opened in that way, they are passed by the chief of the bureau to the chief clerk of the bureau, and by him handed to the various clerks of the bureau to see that they are properly verified. They verify them as soon as they can. Up to the last two openings it has been usual to examine only the three

lowest bids as they appear upon the scale. For instance: if there were ten bidders for one class we have hitherto examined only the three lowest, because there are so many bids that if we examined the whole of them it would take the clerical force of the bureau a month. After they are verified, we notify the parties as soon as we can. When they are verified, they are immediately passed to the chief, and the numbers are all made out of those who get the contracts, and he orders the parties to be notified forthwith, and, at the same time, a letter is written to the commandant of the yard, that he may order articles from those parties before the contracts are actually entered into.

Question. Now turn to Savage's bid, on which a contract was awarded, April 6, 1863, for class 41, glass, New York. Turn your attention to the item, "24 clear 'magazine lenses, 12 inches in diameter," &c., and state whether or not there appears to have been an alteration made in the price and in the aggregate

there.

Answer. The prices all the way up and down appear to have been made in pencil originally, and changed to ink. I do not see anything to show that that particular item was changed any more than the rest of them. There is a red mark opposite that item, which is carried out \$240 instead of \$480. That red mark was put there by the chief at the opening, he having discovered the error at that time. When the bids are opened, if he discovers a palpable error he immediately puts on his red mark. So at the time of the opening that same error existed which you now point to.

Question. Then your answer is, that there does not seem to have been any

alteration in the figures 240 in the aggregate column opposite that item?

Answer. That is my answer.

Question. Do you think there has been any alteration in the price?

Answer. No, sir. I will say that probably it has been changed from pencil

to ink, the same as the figures above it, and nothing more.

Question. Now look at the last item, "50 dozen hexagon deck lights, three inch, &c., \$17 50 a dozen," and state whether the price and the aggregate both have been altered, or either of them.

Answer. I should say that the aggregate column had been altered. I should

not think the price column had been.

Question. What is the aggregate of that bid, as printed in the Secretary's report?

Answer. \$1,278 65.

Question. Do you say that is right?

Answer. No; I say it is not right. The computation is correctly given in Smith's pamphlet. I have looked at the contract in the Second Comptroller's office, and I find that the price is \$1,278 65 on the contract, the same as published in the Secretary's report. Where, as was the case in this instance, there is but a single competitor, and we find that the prices are not high as compared with the estimates furnished by the commandant of the navy yard, we pay very little attention to the aggregate. We are governed by the price column, without any reference to the aggregate column, where there is but a single bidder, and other parties' rights are not involved in the decision.

Question. Let me call your attention again to the last item, and ask you if that bid was not originally \$7 50 instead of \$17 50, and originally carried out \$375 instead of \$875? Have not the price column and the aggregate column

both been altered in that way?

Answer. It looks to me that the aggregate column was originally \$375.

Question. Does it not look to you as if the "1" before the \$7 50, in the col-

umn price, was put in there afterwards in different ink?

Answer. The figure "1" is put in in darker ink, and I should not be surprised if the price had been changed in that way; but I do not see any evidence of any erasure in the price column.

Question. What was the total of that bid at first, as written out in the bidder's hand?

Answer. Five hundred and thirty-seven dollars and ninety cents.

Question. If the alteration was made as last suggested, would it not raise the aggregate exactly \$500 more?

Answer. Certainly.

Question. Now look again at the item "24 clear magazine lenses," and see

if the 20 in the column of prices there appears to have been altered.

Answer. The 2 in the 20 is evidently not in the ink originally used. I think that bid is just as it came into the bureau, from the fact that attention was called to it as it was opened.

Question. There seems to have been an error in another item in carrying out

the aggregate of 75 lights at sixteen cents each?

Answer. There is an error in the aggregate column opposite that item of sev-

enty-five cents corrected by the bureau.

Question. Now state whether, if the magazine lenses were put in at \$10 instead of \$20, and the hexagon lights, at \$7 50 instead of \$17 50, and adding the alteration which was made, of seventy-five cents in the item of 75 lights, it would not make just the sum that is given in the Secretary's report as the computation of that bid.

Answer. Precisely.

Question. And supposing the bid to have been thus originally made without

any alteration, is not the footing given by the contractor in writing right?

Answer. The sum, as written out by the contractor, would be undoubtedly correct, if you call the price of lenses \$10 instead of \$20, and of the hexagon deck lights \$7 50 instead of \$17 50. The computation as written out by the bidder was five hundred and thirty-seven dollars and ninety cents, and that would have been correct upon the supposition now made. Allow me to explain, further, that the red mark, opposite the item 20 lenses, was made by Mr. Lenthall, chief of the bureau. On opening the bid he discovered that error and made that mark. He did not discover any error in the other item of hexagon lights, and the presumption is that that change was made before, or he would have discovered the error. I have looked at the scale, and I am confident that when we opened this bid it was put down upon the scale at that time at \$1,278 65. When this class was corrected, we found an error of seventy-five cents in one place, and \$240 in another place; and those are the only corrections that have been made since it was opened, and these corrections were made in pencil in the margin of the items, to which attention was called by the chief of the bureau at the time of the opening.

By Mr. Doolittle:

Question. By what clerk was this bid verified?

Answer. By Mr. J. W. Deeble.

Question. On this bid being opened, was it then delivered over to that clerk

to be verified?

Answer. No, sir. On its being opened, it was immediately laid on the large table, where we put the bids so that the competitors may examine them during that day. The next day it was passed to the clerk for verification. During the intermediate night it was under the custody of Mr. Lenthall, the chief of the bureau; what he did with it I do not know.

Question. Is Mr. Deeble still a clerk in your bureau?

Answer. Yes, sir:

By Mr. Hale:

Question. Turn your attention to Stover's bid, on which he got a contract March 30, 1863, for class 39, linseed oil, &c., for the Philadelphia navy yard.

Answer. The soft white turpentine in that contract is printed in the public document containing the Secretary's report at \$1 a barrel. It should be \$100 a barrel, as it is here in the bid.

Question. Do all the prices in that bid appear to have been made in pencil in

the first instance?

Answer. Yes, sir; no doubt they were. We furnish parties with only one copy of the schedule.

Question. Now look at Savage's bid for class 41, glass, Washington, on

which the contract was given to him April 6, 1863.

Answer. That is published in the report at \$592, and it went in the contract, I presume, at that sum, though I have never looked at the contract.

Question. What is the proper sum?

Answer. \$652 50. Allow me to state again, as I did before, that where there is but a single bidder, as in this case, we pay very little attention to the aggregate column, or to the total, as we are governed in the settlement by the price column; and if we find that the prices in that column do not differ very materially from the estimate furnished us by the commandant of the yard, we give the contract without reference to the aggregate column. We do not spend any time in correctly casting that column, as it makes no difference in awarding the contract, because the rights of other parties are not involved.

Question. There was a contract in your bureau for iron to be delivered at the Charlestown yard, which was first awarded to one bidder and afterwards given to Smith Brothers & Co. on an error being discovered. Did you correct that error in the bureau until after Smith Brothers & Co. called your attention to it?

Answer. My recollection of it is, that the department discovered the error, but still I do not mean to swear to that positively. I do not recollect that Smith Brothers ever called attention to any error in our bureau.

### By Mr. Doolittle:

Question. Look at the handwriting and the ink in which the figures were originally made in Savage's bid, which has been referred to, for class 41, glass, New York, and in which apparent alterations were made, and see how the ink and handwriting of those alterations compare with the ink and handwriting of Mr. Savage's signature.

Answer. I stated in a former part of the examination that I thought those

marks had been changed from a light colored to a darker colored ink.

Question. How is it in reference to the kind of handwriting?

Answer. I should say that the ink of the alterations compared very nearly with the ink used in the signature of Mr. Savage, and very likely it was the same ink. I should think it was substantially the same shade of ink.

Question. Can you make any comparison as to the kind of handwriting?

Answer. I should not think that the figures in dark ink were made by the same hand as those in the light ink. I should judge that one of them might have been made by Mr. Savage when he signed the bid.

Question. Does not the signature of Mr. Savage to his bids, all the way

through, seem to be in darker ink than the prices?

Answer. Yes, sir. The figures seem to be in a lighter hand and with lighter

ink than his signature, except where they have been altered.

Question. Then you say that where alterations occur they seem to be in a darker ink and a heavier hand than the original figures?

Answer. Yes, sir.

## By Mr. Hale:

Question. Look at Savage's bid for class 33, hardware, at Brooklyn, under the advertisement of February 13, 1863.

Answer. Here is his bid.

Question. Is that a case where he was the only bidder, and where the prices were so high that his bid was rejected?

Answer. Yes, sir.

Question. State at what aggregate that bid was computed when it came to the bureau.

Answer. The figures came to the bureau \$15,797 by the party who put it in. Question. State whether or not there appears to have been an erasure under these figures; look at it with the glass.

Answer. No, sir; it looks as though \$6,725 40 had been striken out by

pencil and \$15,797 put over. That is the way it looks to me.

Question. How does the aggregate appear to have been there as written out? Answer. Six thousand seven hundred and twenty-five dollars and forty cents.

Question. And what is the correct computation?

Answer. \$22,585 40. In regard to that bid, I should like to state that when we came to verify it it was found to be \$22,585 40, and a comparison with the estimate of the yard showed that it was about twice as much as the estimate. The estimate of the yard was \$11,000 and something over that. I recommended to Mr. Lenthall the rejection of the bid. He told me to write a letter to the commandant of the New York yard inquiring whether the articles could be bought at his estimate which had been made some two months before, as everything was rising, and everything had gone up, so as to see whether it would be better to accept the bid at these prices. He wrote us back that he thought the articles could be obtained for about \$12,000. His letter was immediately submitted to the Secretary of the Navy by Mr. Lenthall, with a suggestion that the bid be rejected. The Secretary sanctioned that suggestion, and we notified Mr. Savage that owing to the excessive prices a contract for that class would not be executed with him.

Question. State generally whether there are very many corrections made by the bureau in the aggregate prices carried out against various articles, and whether these corrections are not always by increasing the sum. Do not the exhibits of prices in the aggregates of the bidders generally appear to be much lower than the fact is?

Answer. It has been both ways, but I should say that in the majority of

cases the aggregate has been increased by the corrections.

Question. But in the bid of Savage, to which your attention has just been called, are there any corrections made where the amount was too high in the bid?

Answer. There seems to be one item where the bid was \$100 too high. There is one carried out \$225 which should be \$125. Most of the items, I think, are carried out too little, and therefore the corrections have increased them. These aggregates as they come in do not amount to anything in our awards. We award always according to the corrected total, unless we sometimes make a mistake.

Question. Is there any alteration in that bid in the item of brass screws?

Answer. It would appear to me, from what I know of these bids, that that item was first put down \$3 a gross, and that when Mr. Savage came to sign the bid he changed it to \$9 a gross.

Question. State how it appears on the face of the bid.

Answer. I think that probably the figure in the column of prices has been changed from a 3 to a 9, and that the aggregate has been changed in different colored ink. In the first place, I say the price was \$3 per gross, carried out \$3,000, and as changed it is now \$9 a gross, carried out \$9,000. The alteration appears to be in the same ink as the signature; and as the figures at first were undoubtedly made by his clerk, Savage, when he came to sign it, thought that item was too low, and changed the 3 to a 9. I mean to say that the bid as it now is is just as it was when it was opened. I do not know anything about it before that, and while it was in the hands of the chief of the bureau.

Question. Making that correction, how much would the true aggregate differ from the aggregate that was stated by the bidder?

Answer. That one change would add \$6,000 to his first aggregate. That

would make the difference less than \$800.

Question. Now look at the item "12 five-inch gongs, with stop cranks and fixtures, complete," and state whether the price there appears to have been altered.

Answer. I should say that it looks as though it had been changed from \$11 50 to \$10 50.

Question. You think it has been changed?

Answer. It looks as if it had been.

Question. State distinctly whether there appears to have been an alteration there.

Answer. It does not all appear to be in the same ink, though it may have been made at the same time.

Question. Look and see if your correction that you made in the bid is correct.

Answer. I should think it was.

Question. What is your judgment in regard to the next item "12 five-inch gongs," and the next one "12 four-inch gongs?"

Answer. Neither of those prices appears to have been the same that it was

originally. It is now just as it came into our office.

Question. Now look at the item "12 six-inch gongs," and state whether the figures \$20, in the column of prices opposite that item, look like the figures that were originally made, or was the price at first \$2.

Answer. I should not think it was \$2. I should rather think it was \$1 or \$21, because the 1 which was there originally looks as if it was the same ink

as the other figures.

Question. Now look at the item "12 brass knobs, \(\frac{1}{4}\) to \(\frac{3}{4}\) inch thick," and see

whether there has been any erasure there.

Answer. I should think that was originally \$1 changed to \$4. The aggregate is \$12. Judging from the looks of the column of prices, and the fact that the item is carried out \$12 in the aggregate, I should think the original figure was \$1.

Question. Look at the item "two dozen brass lamp hooks, \$4 a dozen," and

say whether that 4 was not originally a 1.

Answer. I should not, judging from the figure itself; but from the sprawling condition, and the fact that it was carried out \$2, I should think it very likely that he made it so originally.

Question. Now look at the item "75 yards iron jack chain," which is here

now at \$1 41.

Answer. If you strike off the 1, leaving the price 41 cents, it will make the

original computation correct, and that makes a difference of \$75.

Question. Now look at the item "50 dozen escutcheons, thread, brass, assorted," which is here at \$1 30 and carried out \$15, would not that carrying out have been right if the original bid was 30 cents?

·Answer. Yes, sir.

# By Mr. Doolittle:

Question. Do all these alterations seem to have been made with darker ink and in a heavier hand?

Answer. All the changes that I think might have been made by the contractor were made in darker ink than was used originally.

# By Mr. Hale:

Question. Now look at the item "100 pairs brass butt hinges, four-inch stationary pins, per pair, \$1 75," carried out \$75; supposing the 1 to have been

added there before the 75 cents in the price column, was not the original carrying out correct?

Answer. Yes, sir; but that appears to be in the same ink.

Question. Now look at the item "400 pairs brass butt hinges, 2½-inch stationary pins, per pair \$1 30," and supposing that price to have been originally 30 cents, was it not carried out correctly \$120? It seems now to be \$1 30 a pair, and the aggregate rectified to be \$520, a difference of \$400.

Answer. Yes, sir.

Question. Is not the same thing true of the next item, "450 pairs brass butt hinges, two-inch stationary pins, per pair \$1 30," carried out \$135? Would it not have been rightly carried out if the original bid was 30 cents a pair, and the 1 was afterwards inserted before the 30, and that item is now corrected at \$585, making an error there of \$450?

Answer. Yes, sir.

Question: Show us some other of these bids.

(The witness exhibits to the committee a number of Scofield's bids, and a number of the bids of Lockwood and Collins, which appear to the committee, on examination, to contain so many alterations and erasures in the writing and in

the figures as not to be worthy of credit.)

The witness: I desire to state in this connexion that I recommended at the time these bids, Lockwood and Collins, were opened that they should be rejected as being defaced, and as being uncertain, it being doubtful what the figures meant; but these bids were all referred to the department, and such of them as were awarded were ordered to be awarded by the department. Collins's bids are of the same general nature all the way through.

#### By Mr. Doolittle:

Question. How is it with Savage's bids about their being marked and changed? Answer. Mr. Savage's are not marked up like these, but Mr. Savage's arithmetic has generally been bad.

Question. His alterations were not so great, you think?

Answer. His bids are not scarified like these. You do not see the large black marks which are on the others.

Question. Were the bids of Lockwood and Collins and those of Savage all opened together?

Answer. All on the same day.

Question. And those of Lockwood and Collins you found so scarified that you recommended that they be rejected?

Answer. I did.

Question. In relation to those of Savage and Scofield, did you observe altera-

tions when they were opened?

Answer. Very many; and if you will bear with me one moment I will call your attention particularly to that, because Mr. Lenthall and I have been looking them over to see what he called attention to at the time he put his brand on. He put his brand on some of Stover's bids, on Savage's, on Watson and Pittinger's, on Mr. Bigler's, and Mr. Ellis's. These were errors that were discovered as he was running them over.

### By Mr. Hale:

Question. Do you know what those errors were?

Answer. One was the red mark to which I have already called attention, made on Savage's bid under the advertisement of February 13, for the Brooklyn yard, and under the advertisement of May 29, for the Washington yard.

#### By Mr. Doolittle:

Question. You have said that previous to the last two openings you examined only the three lowest bids; why was that?

Answer. It has been found, on experience, necessary to verify them all When we came into the bureau, the clerks there and Mr. Lenthall told us it had been the practice to take only the three lowest bids, but Mr. Secretary Welles ordered that they should all be examined, because it was sometimes found that a bidder who appeared to be the highest, on the aggregate was really the lowest when the bids came to be examined and verified according to the column of prices.

By Mr. Hale:

Question. Has money ever been offered to you for any service by any contractor?

Answer. Before you go into that, I want to call attention to some other bids of gentlemen of high standing, about whom there could be no doubt.

Mr. HALE. Very well.

The witness. For instance, I want to call attention to the bids of the honorable Matthias Ellis, of Boston, who has been a senator of Massachusetts, a distinguished gentleman. I have now before me his bids at the last opening. There are the verifications of them, and there is not a single item the aggregate of which is correct. By looking at it you will see the changes are very distinct, and in entirely different ink. Those are Mr. Ellis's bids for classes twenty-six, twenty-eight, and thirty-one, at Charlestown. There are errors in the price column. Mr. Ellis's bids, I think, are so at every yard where he bids. After these bids were opened, Mr. Ellis telegraphed to me, as chief clerk of the bureau, to know what classes he had got. I submitted his telegram to Mr. Lenthall, and he told me to telegraph that Mr. Ellis appeared by the scale to havesuch and such classes. That was the very day after the bids were opened, and we had had no time to verify them. I telegraphed accordingly to Mr. Ellis, but the verification of the bids, I think, took all his classes from him but one. Mr. Ellis was on here afterwards, and I called attention to that fact, and told him, "Your bids appeared bad, written with one kind of ink and afterwards changed." His explanation was—I will give it because it may illustrate this matter—that after he had made his bids here, and got them ready to send into the bureau, he heard that the rebels had come in at Rockville and captured a wagon train, and were on their way to Baltimore; and he being an iron man, supposed iron would go up very much, and he immediately added these additional half cents and three-quarter cents a pound on iron all the way down the column; and being anxious to get out of the city before the rebels cut the railroad at Baltimore, he had no time to correct his aggregate columns, and let them go in that way.

I wish also to call attention to another case, as it regards parties whom the chairman of this committee knows very well. Let me call attention to the bids of Trickey & Jewett, of Boston. Mr. Trickey I have seen, and Mr. Jewett I know as a prominent man in Maine and a member of the present State senate. Messrs. Trickey & Jewett's bid for class 1, at Charlestown, was carried out \$84,900, and the verification makes it \$94,900. Their bid for class 3 was carried out \$9,000, and it is \$10,200 by the verification. Their bid for class 11 was carried out at \$9,984, and the verification makes it \$10,704. Their bid for class Mr. Lenthall called attention to at the time of the opening. 13 is carried out \$3,965; it should be \$5,225. He also called attention to that Their bid for class 16 was originally carried out \$5,575; it should be That error was called attention to at the time of the opening by Mr. I think in these bids there is no change anywhere in the price column; it is always an error in the computation. All Messrs. Trickey & Jewett's bids contain this error in the aggregates, but I do not remember a single one in

the price column.

You will find the same errors in the bids of Smith Brothers & Co., and you

find there scratches in the price column. It may be well perhaps, as they are quite prominent, to call attention to their bids. Here is one class where their bid is footed up \$1,400, when it should have been \$1,600. I only cite that in reply to the declaration of Mr. Smith that they never made any mistakes.

By Mr. Hale:

Question. Do you find any erasures in the price column of that bid of Smith's? Answer. I do not discover any; but here is another bid of Smith Brothers & Co., and there you find precisely what you find in some other bids to which attention has been called to-day, indications that the prices were first put in in pencil and afterwards changed to ink, and one line in this bid looks as though there had been an erasure there. This is the bid of Smith Brothers & Co. for class 25, Boston. My opinion is that there have been erasures there. Then there is another error committed in class 46. They have put down \$60 which should be \$720. That is all I want to say in regard to that; but now, if the committee will allow me, I desire to put in somelittle analysis in reply to Smith's pamphlet, with which I have taken considerable pains, and it is very short.

Under the advertisement of February 13, 1863, the Bureau of Construction advertised for 98 classes for all the yards. For 9 of these classes there was but a single bidder. For 25 of these classes it is believed only lumber dealers competed, as those classes were entirely lumber, and those competitors numbered For 16 of these classes Mr. Stover, Mr. Scofield, Mr. Savage, and Mr. Collins were the only bidders. For 48 of these classes there were 176 bids; 105 of this number were the bids of Stover, Scofield, Savage, and Collins, and 71 of them were bids of other parties. Of these, Scofield, Stover, Savage, and Collins got 22 classes, being about 20 per cent. of their entire number. The 71 other bidders obtained 25 classes, being more than 33 per cent. of their num-It is proper to state that a comparison with the estimates of the yards shows that the 16 classes bid for by Stover, Scofield, Savage, and Collins alone do not range higher than classes having a greater number of competitors, nor do the prices more nearly agree. Under the same advertisement Messrs. Smith Brothers & Co. competed for 5 classes with 30 other parties, and were successful on 3 out of 5. Under the advertisement of May 29, 1863, Smith Brothers & Co. competed with 42 other parties for 12 classes, and were successful in 7, leaving 5 to be divided among the other 42 competitors. Smith Brothers & Co. were as successful as any parties in their bids.

Question. Has any money ever been offered to you for aid rendered or to be

rendered to any contractor in the office since you have been chief clerk?

The witness. In connexion with my business?

Mr. HAIE. In connexion with the bids by contractors.

Answer. Never.

Question. Have you ever held out to contractors, or persons proposing to contract, that you had influence, and could assist them in any way?

Answer. I never have.

Question. Have you never represented to anybody who proposed to contract,

either directly or indirectly, that you could aid them?

Answer. Never. I have said to parties who had never bid that they had better bid; I simply invited them to bid, because I found that it was better for the bureau to have as many competitors as possible.

Question. Have you been engaged in any other business since you have

been chief clerk there?

Answer. Yes, sir; I have been in quite a variety of business. I have not confined myself, I am sorry to say, very closely to my office, because I have had other business. I had a large business connexion at one time in New Orleans, and I am sorry to say it has not yet terminated. At one time it was paying me, but at present it is and has been involving me. That was a connexion which I had with the Hon. George W. Brown, brother of the navy

agent here, and General Bodfish, who went out there; and they and myself entered into a copartnership in regard to business there. We were successful for a time, from which I got no inconsiderable amount of money. The death of Brown, by yellow fever at Pensacola, rather turned the tide the other way. Then they bought a cargo of cotton, and somehow or other there was some irregularity in the clearance, and it was taken and sold by the government, I believe, and we had to lose the original amount which was paid for that cotton. I never had a cent offered to me, directly or indirectly, for anything done in the office; and I have never held out any inducement to any man that I could assist him for the two and a half years I have been in the Construction bureau; and in no single instance did I ever ask Mr. Lenthall to favor any man with a contract because he was a friend of mine, although his bids and somebody else's might have been the same.

### By Mr. Doolittle:

Question. You are chief clerk in the Bureau of Construction and Repair, of the Navy Department?

Answer. Yes, sir.

Question Do you know, or have you any reason to know, of any of the clerks in that bureau, in any way whatever, tampering with these bids, or altering

them in any respect after they were put in?

Answer. No, sir. I have not the slightest idea that there is a clerk in that bureau who would touch a contract or a bid any more than any honest gentleman you could find. Our clerks there are Deacon Rothwell, Deacon Deeble, an Episcopalian minister named Smith, and there are but two others, and we seldom put them on these contracts because they have other business to do.

### By Mr. Hale:

Question. Have these bids been so kept prior to the passage of the late act

of Congress that no clerk could get access to them?

Answer. None of the clerks in that bureau know where Mr. Lenthall keeps the bids. I never saw one of them in my life until they were all brought down by him and put on the table.

## By Mr. Doolittle:

Question. Are they kept by Mr. Lenthall personally?

Answer. Yes, sir; and whether he keeps them in his safe at home, or up stairs, or where he keeps them, none of us know.

Question. Was there a clerk in your office by the name of Murdock?

Answer. He was in our bureau, but attached to the engineering branch of the bureau, which was not connected with us immediately. He was immediately under Mr. Isherwood, who was then chief engineer, though not chief of a separate bureau. Since that time the bureaus have been reorganized.

Question. Can you state what is the purpose of these men bidding sometimes for the same article at one yard very low, and at another yard very

high at the same time? What is the object to be gained by it?

Answer. I can illustrate that somewhat. Until this last opening we have always had sperm oil under our bureau, and I can illustrate by reference to sperm oil, because the contract for that is always for a single article. You will find that one man, say, Mr. Stover, would bid for it at New York, at \$1 40 a gallon, and at the same bidding he would bid \$2 40 here, Washington, a difference of a dollar a gallon in the same article. We would call for a thousand gallons at this yard, and five thousand at the New York yard, and very likely his bid would not be within half a dollar or seventy-five cents a gallon of anybody else at New York, while he would lose the contract at Washington, by somebody bidding under him. We believe that that originated from the fact that they

have a custom at the New York navy agency under which they give all the open purchases to the contractor for that specific article. Therefore, if Mr. Stover got the oil by contract, they would make all their open purchases of oil from him at the market price. Take, for instance, last year, or the year before last, by some unaccountable oversight of the yard we only called for 5,000 gallons under the New York contract. New York is our shipping port to all our vessels and squadrons everywhere, and we purchased in open market at New York, I think, 59,000 gallons, and they were bought for that yard at from \$2 to \$2 39 a gallon. Stover furnished it all; and yet he took the contract for 5,000 gallons at \$1 40.

Question. It would seem, then, that his object in bidding down low and getting that contract was to secure the privilege of selling the same article to the

government when it wanted to make open purchases?

Answer. Precisely. It was seldom that Stover came here to the openings, but I remember on one occasion that Mr. Brown, his clerk, said, "We are determined to have oil for the Brooklyn yard at all hazards." At the other yards oil is not so much used for shipping purposes.

### By Mr. Hale:

Question. Your explanation can only apply to one bidding?

Answer. Only to one bidding under the law.

Question. Had you not a right to demand under such a contract whatever

you might need of that article?

Answer. At one time we had a right to demand an unlimited quantity of any one article; but now, for several biddings, by order of the honorable Secretary of the Navy, the bids have been for specific articles and specific amounts, and after specific amounts were fixed the bidders dropped down in the price for the purpose of controlling the open market.

### By Mr. Doolittle:

Question. By what rule or order was it that the navy agents were to make

their open purchases of the contractors?

Answer. It was an old order issued, I think, by Mr. Dobbin, when he was Secretary of the Navy, that a man who took a contract should have the privilege of selling the article contracted for to the government in the open purchases, provided he furnished it as low as the market price. The order was to give the contractors the preference.

## . By Mr. Hale:

Question. When was the order of the Secretary of the Navy made which

you say confined the contracts to specific amounts?

Answer. Secretary Welles made an order that we should be limited so that we could only demand from any contractor double the amount called for in the contract. That order applied to what we call the bids for 1862-'63.

Question. Was that order in force in February, 1863.

Answer. Yes, sir.

Question. When it was made?

Answer. The order was incorporated in our contracts in June, 1862. I am very certain it was. It was the last bidding we had on oil prior to its going into the Bureau of Steam Engineering. I think it was at what we call the 1862-'63 opening, though the actual opening was, I think, not until September, 1862.

Question. Did that order that you should not call for more than double the

amount apply to all the bids?

Answer. To all; and let me state a case to illustrate the necessity of it. There is the article of lead. We called for pig lead and sheet lead in the

same class, and those were the only three items in that class—5,000 pounds pig lead, and 15,000 pounds sheet lead. Smith Brothers & Co. bid for the 5,000 pounds pig lead a quarter of a cent a pound, and the 15,000 pounds of sheet lead they bid for at 15 cents a pound. There is not really one-sixteenth of a cent difference in price between pig lead and sheet lead. They delivered of the quarter of a cent lead 100 pounds less than the face of the contract called for, and of 15 cents lead, of which they were to deliver 15,000 pounds, they actually delivered 182,000 pounds, being more than twelve times the face of the contract. This bid was after the new order of the Secretary, that we should take only twice the amount called for on the face of the contract; but Smith Brothers & Co. claimed that as there was no law to that effect, as this was only a statement contained in the schedule, they had a right to deliver under their contract all that was called for. Mr. Lenthall finally offered to compromise the matter with them by taking three times the face of the contract, which would be 45,000 pounds of lead, at 15 cents a pound, and pay them for the rest at the open market price at the time of the delivery of the lead. Smiths contended that they were entitled to 15 cents a pound for the whole 182,000 pounds. Mr. Lenthall finally decided that he would not pay the 15 cents a pound, but would pay them the open market price at the time of the delivery. Then the Smiths took an appeal immediately from Mr. Lenthall to the Secretary of the Navy to override the action of the bureau, and after a great deal of correspondence the Secretary finally decided that, as it was not our lead until we had absolutely agreed to take it, we should settle for it at the market price on the first day of February last, which we did at 11½ cents a pound—3½ cents less than the contract price, and about three cents a pound more than the market price was at the time of delivery.

Question. How came they to deliver this great quantity?

Answer. I do not know. It was done under requisitions from the yard, of course. Again: Smith Brothers & Co. had a contract for the delivery of screws. They took a lot of them at a cent a gross, and a lot of them at \$450 a gross. They delivered less than the face of the contract of those at a cent a gross—the face of the contract was for 50 gross—I remember it distinctly—and of the screws at \$450 a gross, they delivered enough to come to \$2,280. Then there was an advertisement for 500 tons of American pig iron and 500 tons of Scotch pig iron. Smith Brother & Co. bid for the Scotch iron at one dollar a ton, and the American iron at \$33 a ton. They delivered about two or three times the face of their contract of the \$33 a ton iron, and little or nothing of the one dollar a ton iron.

I state this general proposition in regard to their bids, and I state it under oath, because I have looked the thing out, that, with one solitary exception, and that is the firm of Tilton & Wheelright, of Boston, Smith Brothers & Co. have had a vastly greater number of nominal bids and extravagantly high bids than any other parties who have bid with our bureau, and they have delivered on those extravagant prices vastly in excess of anybody else on extravagant prices, and on their nominal prices they have delivered vastly less than any other contractor with our bureau.

In regard to the screws, we wrote to the yard to know upon what vessels the screws were to be charged. The screws are delivered for such and such a vessel and we want to know for what vessel they are delivered, as we keep an account of the whole expense of each vessel. We found that the keels of several of the vessels for which these screws were ordered had just been laid, we had just given the orders for the vessels, and they were just about commencing them, so that the screws would not be wanted certainly for eight or ten months. I am sure they would not have been wanted until after the expiration of that fiscal year. As I have said, many of the vessels for which the screws were

ordered had just been ordered to be built, and contracts for the delivery of machinery for those vessels exist for over a year hence.

Question. Were there any deliveries of lead or screws, or anything else, made

by Smith Brothers & Co., except on regular requisitions from the yard?

Answer. That we do not know; we never see the requisitions; but I have no sort of doubt they had regular requisitions. I do not think the navy agent had anything to do with any improper conduct in that matter, but it seemed a little singular to us that there should have been such an immense delivery when there was no call for it. We thought there must have been some collusion somewhere.

## Testimony of Ira Murdock.

FEBRUARY 20, 1864.

IRA MURDOCK sworn and examined.

By Mr. Hale:

Question. Where do you reside?

Answer. In Bridgewater, Massachusetts.

Question. When, if ever, were you in the Bureau of Engineering, in the Navy

Department?

Answer. I was in the office, I think, nearly four years. My business was detailing naval engineers for the service, and keeping a record of naval engineers, their sea service, examinations, &c., and everything connected with the engineer corps.

Question. When did you leave the bureau?

Answer. I left the office in July last; but sickness kept me out of the office a great part of the time for nine months prior to that.

Question. Had you anything to do with furnishing plans to contractors?

The witness. What class of contractors? Mr. Hale. For building steam machinery.

Answer. At the time when the government built the first twenty-three gunboats, a gentleman in the office, who was chief draughtsman, got up a set of detailed drawings. Some of those I sent to the contractors, put them in envelopes, and forwarded them from the bureau. I had, however, no interest any more than to do that.

Question. Was anything paid for them?

Answer. Yes, sir.

Question. How much?

Answer. He was to have had, I think, \$400 a set; but they proved unsatisfactory, and I do not think he ever realized more than \$300 or \$400. I saw the gentleman in New York one day this week and he told me.

Mr. HALE. State only what you know yourself.

The witness. I was going to say that the same gentleman told me he had not received his pay, but had got only \$300 or \$400 in all.

Question. Do you know whether these detailed drawings were furnished by

yourself or anybody else to the contractors?

Answer. Those detailed drawings, some two and a half years ago, were furnished by Mr. Edward Farren, chief draughtsman in the office at that time.

Question. How many contractors were furnished with them?

Answer. I should say five to seven. I think not more than seven. Question. Do you know what they were to pay apiece for them?

Answer. They were to pay \$400 each, per set. I think that was the sum which he named.

Question. What were those detailed drawings? Were they lithographs? Answer. They were photographs from his drawings. They were detailed drawings showing every part and every piece of the steam-engine, the size, weight, &c.

Question. Was not the department bound to furnish them to the contractors? Answer. No, sir. All contracts distinctly state that the parties contracting shall furnish their own detailed drawings; the department furnishing general drawings, from which they make these detailed drawings.

Question. Those seven that you speak of, then, were the same thing?

Answer. All the same thing. It was machinery for the first twenty-three screw gunboats, which were started soon after the breaking out of the rebellion.

Question. Were only seven of those contractors furnished with them?

Answer. I think only seven, but I am not quite sure now, as it is some time ago.

Question. Is that the only instance you know of in which detailed drawings

were furnished and paid for?

Answer. That is the only instance I know of.

Question. Do you know of any other moneys being paid to any officer in

that bureau for anything connected with contracts of any sort?

Answer. No, sir. I do not know of any instance where money has been paid, with that exception, and that, I suppose, was considered equal to the value received.

Question. Do you know of no instance of any money promised to be paid? Answer. No, sir.

Question. Is this gentleman, Mr. Farren, occupying that place now as draughtsman?

Answer. He is not.

Question. When did he leave the department?

Answer. He left the department fifteen months ago, I should think, at least. Question. Do you know what disposition was made of that money?

Answer. I do not.

Question. Do you know whether anybody shared it with him or not?

Answer. I do not.

Question. Do you know of any money having been paid by any contractor to anybody in the bureau or office?

Answer. Money has passed through my hands to pay patent fees on Martin's boiler and on Sewall's condenser.

Mr. Hale. I do not understand the connexion of that.

The witness. Before the last payment is made on the machinery of all steamers, the contractors are required to furnish releases from all parties holding patents upon any articles used in their construction. There are several patents used in making machinery for the government.

Question. How did this money come into your hands?

Answer. There are two parties in Boston who sent me a check for the money, \$2,000, I think. I received two checks of \$2,000 each, which I paid, one to Mr. Martin for Martin's boiler, and one to Mr. Sewall for Sewall's condenser.

Question. Who sent the money?

Answer. The Atlantic Works and the Globe Locomotive Works, of Boston.

Question. To whom did you pay the money?

Answer. I paid \$2,000 to Mr. Martin, and \$2,000 to Mr. Sewall.

Question. Are these the only sums you know of as having been paid to any-

body in the office?

Answer. I have no recollection myself of any other sums of money. I do not know that any other parties ever received money for themselves, or even to pass through their hands for others.

Question. Did you know of any practices in the bureau, during the time you were there, that are unfair or illegal?

Answer. No, sir, I cannot name any. There are complaints, as there are

against all bureaus.

Question. Did you know anything about the Dakota?

Answer. But very little. The Dakota was being built when I entered the

Question. Do you know anything about the conditions on which she was built, whether she was to be paid a certain sum if she made a certain time?

Answer. I have read the contract a number of times, and I think there were.

some conditions of that kind.

Question. Do you know whether, in accordance with the contract, the last per-centage was kept back awhile?

Answer. I do not.

Question. Do you know whether there was a board that sat on the Dakota?

Answer. I do not remember any board of that kind.

Question. Do you know whether there was any controversy about the payment for her, whether the money was all paid down, or whether the parties

were suspended awhile?

Answer. I cannot say how that was, but my impression now is that there was some controversy. The only thing that I remember in regard to it is, that Mr. Hazelhurst, the contractor, was at the office two or three times with Mr. Abbott, of Baltimore, and my impression is their business was with regard to the last payment of the Dakota; but it is a long time ago, at least three years ago, and I remember very little about it.

Question. Do you know whether or not there was any money paid to any-

body to get that last payment through?

Answer. I do not know.

Question. Do you know anything about it?

Answer. No, sir.

Question. Did you ever personally deliver any detailed drawings or anything of that sort, anything connected with these engineer drawings, to anybody in New York city, aside from the ones you have spoken of?

Answer. No, sir. I do not remember ever having done it.

Question. Did you ever receive a thousand dollars from anybody in New York or Hartford for any drawings or anything connected with those contracts coming from the bureau?

Answer, No, sir.

Question. Do you know of any such sum having been paid?

Answer. No, sir.

Question. Did you ever state to anybody that you had received that amount, or words to that effect!

Answer. No, sir, I do not remember that I ever did.

Question. And you never have received it?

Answer. No, sir.

Question. Have you ever known any negotiations between any contractors for steam engineering and anybody else for the bureau, aside from the ones you have testified to?

Answer. No, sir; I remember none.

By Mr. Doolittle:

Question. You say you reside in Bridgewater, Massachusetts; what is the name of the county?

Answer. Plymouth county.

Question. Did you purchase a house and lot at Bridgewater not long ago? Answer. Yes, sir. I held a mortgage on a house, and I took possession of it

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some year ago. The owner of the house was down in the southern country; he went there to live after the rebellion, and I think has been heard from not more than once or twice since he left.

Question. Did he join the rebels, as you understand?

Answer. I do not know that he did; it is supposed that he did. His wife could not carry on the place; circumstances were embarrassing at the time he left, and I paid her a certain sum of money, and took the house, with a guarantee from her brothers and his brothers in Boston—responsible men—that I should, at a certain time, receive a deed from him, which I have not received.

Question. How much was your mortgage?

Answer. About \$5,000.

Question. And how much did you give her?

Answer. \$1,500.

Question. Do you know a gentleman in Boston by the name of Pratt, of the firm of Bowers, Pratt & Co.?

Answer. Yes, sir; very well.

Question. Has Mr. Pratt given to you, or to your wife or family, in any way, direct or indirect, anything in consideration of any favor you may have done him connected with the department or the government?

Answer. Never a dollar.

Question. Do you know any other clerk connected with the Navy Department who resides in that section of Massachusetts, except yourself and Mr. Farwell?

Answer. Mr. Farwell has a house there. There is no other clerk of the Navy Department, or connected with the bureaus, living in that county. I wish to state, if I may be allowed to do so, that Mr. Pratt and Mr. Ellis are distant relatives and friends of mine. I have had charge, almost all my life, of a manufacturing establishment owned by Mr. Ellis. I have at times for fifteen years had sums of money—sometimes large sums—for him to use; and I have also had money from Mr. Pratt, though I do not know that I have had any from him for some years. There has been a business connexion between Mr. Pratt and Mr. Ellis and myself covering a period of at least eighteen years.

Question. Had you, while in the department as a clerk, any interest in any

contracts or any business done by Mr. Pratt for the government?

Answer. No, sir.

Question. Did he ever take any contracts of the government, to your knowledge?

Answer. Never, to my knowledge.

Question. Did you ever have any interest in any with Mr. Ellis?

Answer. No, sir.

Question. And never received anything?

Answer. No, sir. Mr. Ellis, I think, never had any contract with the government until within the last month or six weeks.

# Testimony of Matthias Ellis.

FEBRUARY 20, 1864.

MATTHIAS ELLIS sworn and examined.

By Mr. Hale:

Question. Where do you reside?

Answer. I have two residences—one in the city of Boston, and another in Carver, in the county of Plymouth, Massachusetts. The latter is my voting residence.

Question. Have you ever been a contractor with the government? Answer. Yes, sir; to small amounts with the Navy Department.

Question. When were you first a contractor with them?

Answer. In June or July last. I went out of business in 1860 and went to Europe, and remained there until January, 1863. When I returned I commenced my regular business again. In the following June I was in Washington, and I remember it was just before the battle of Gettysburg.

Question. Did you ever have any conversation with Mr. Pratt, of the firm of

Bowers, Pratt & Co., before you went into these contracts?

Answer. We had a general conversation about it.

Question. Do you know anything about any means that were used to get high prices?

Answer. No, sir.

Question. Did you ever have any such talk with anybody?

Answer. I believe that Mr. Smith called at my office in Federal street one day when Mr. Pratt was there, but we did not have any conversation in relation to high prices. What he said, as I understood it, was rather discouraging to my bidding at all, as he said there was no profit to be made—hardly a commission—as there was a certain number of men in New York who were taking contracts at cost.

Question. Do you know whether Mr. Smith appeared there by request of you or of Pratt?

Answer. I do not remember as to that, whether he appeared by request or not.

Question. Do you say there was no conversation between you and Pratt, or you and Smith, or Smith and Pratt, in your presence, about any means that

were to be used to get high prices?

Answer. There was no conversation in relation to means to be used. We had a general conversation, the same as we would about any other business matter. I suppose the question has reference to any unfair means, or anything that was not business-like.

Question. The question is, whether there was anything said about any in-

fluences that could be secured at Washington?

Answer. No, sir. I told Mr. Smith (if that might be an influence) that I knew a Mr. Murdock very well indeed, who was a clerk in one of the departments here, and that he would give me all information, no doubt, in relation to how bids had been made, or anything we might ask or wish to know in relation to the schedules.

Question. In some of your bids there seem to have been some alterations

made in the prices; how is that?

Answer. Yes, sir, I altered some, and, with a gentleman who was with me, altered them in a great hurry, about half an hour before I left Washington. It was about the time that Lee was making his raid into Pennsylvania, and we were a little fearful that he would cut off the Baltimore and Ohio railroad. I had made up my bids two or three days before, and I then changed some of them in the prices. I did not change the extensions, I believe, but merely changed the prices per pound, or per foot, or whatever it might have been, because I was told that the extensions were not at all considered at the bureau; only the prices set down in the column of prices.

Question. What are the alterations you made?

Answer. In the bids for the Bureau of Construction, I believe the alterations were in the price per pound of iron. It was done a very short time before I left Washington. I think nearly all my bids were altered, but I believe I did not receive contracts for more than one or two classes out of fifteen bids. I altered the figures because I was under the impression that Lee's raid was to be successful, and it might make some difference to me.

Question. How many contracts did you get?

Answer. I cannot say how many. I think I had one in the Bureau of Construction for iron spikes for the Charlestown navy yard, and I believe one for steel for the Kittery navy yard. I think those were all. But in the Bureau of Yards and Docks, under a subsequent bid, I think about three weeks later, I got a contract for a class of round iron and nails for the Charlestown yard, and I think for the same class at Kittery. Then, in the Bureau of Equipment, I got a class of copper wire for the Charlestown yard, and I lost something like four cents a pound by putting in that bid. I took it at  $44\frac{1}{2}$  cents, but in the mean time, before the bureau required it, copper wire went up to 50 cents a pound. I think I got it at 48 cents, and so lost  $3\frac{1}{2}$  cents a pound.

Question. You say you never paid anything, nor promised to pay anybody, nor had any talk with anybody, about any aid or assistance to be given to you

in getting contracts through?

Answer. Not the least. I never have paid anybody, never have promised to pay anybody, never have had any understanding to pay anybody, and my contracts have been such with the three Bureaus of Steam Engineering, Construction, and Yards and Docks, that I should have been at least \$\$5,000 better off if I had not taken the contracts. The prices of materials have risen so much since last July that I shall lose on the contracts, If I could have been able to put everything in all the classes, as some other contractors, I should have made a small commission; but I could not get the requisitions, while I found that other contractors for the same yards got their requisitions and put all their iron in.

### By Mr. Doolittle:

Question. By whom are these requisitions made at the yards? Who, practically, is the person who does it?

Answer. The naval storekeeper.

Question. You speak of some other contractors getting requisitions for all the articles they bid for. What yards do you refer to?

Answer. I refer to the Charlestown navy yard.

Question. And you say the naval storekeeper makes the requisitions?

Answer. He makes the requisitions, but there are clerks under him. For instance, the chief clerk in the machinery department would make a requisition for boiler iron, &c., to be used in his department, and he would send in the requisition to the naval storekeeper, who, I presume, does nothing but sign it.

# By Mr. Hale:

Question. Are not those requisitions approved by the commandant before

they go to the naval storekeeper?

Answer. I am not so sure about that. I cannot say whether the commandant has to approve the requisitions first or not. I never examined my requisitions enough to know that.

Question. Does not the commandant have to approve it before the article is

ordered?

Answer. I know the requisitions originate with the master mechanics. I cannot say whether they are approved by the commandant. I have only noticed the name of Josiah Dunham, naval storekeeper, signed to my requisitions.

# By Mr. Doolittle:

Question. In the form in which you make your statement that some contractors could get their requisitions filled, but you could not get yours filled, it would seem to imply that they received some favor at the yards which you could not get. Is that what you mean?

Answer. Yes, sir; I mean to imply that.

Question. Might it not have been from the necessities of the yard for the

articles—that they stood more in need of the articles of those other contractors

than of the articles you bid for?

Answer. No, sir, I should think not; because I had a general assortment, and they asked for mine in small lots; even so small as to send over to me for one bar of iron, which it cost me 75 cents to deliver in the navy yard, when the iron itself was not worth much more than that; while other parties were putting in immense quantities at the same time. One of the firm of Smith Brothers & Co., who were contractors at the same time, told me, immediately after they received their contract, that they were going to work and fill it at once, and send all the articles to the yard.

Question. Which Smith was that?

Answer. I think it was Franklin W. Smith. If I could have done that, it would have been a great advantage to me, because round iron at that time was worth but 3\frac{3}{4} cents a pound, while to-day it is worth 6 cents.

Question. If you could have delivered it then you would have saved your-

self on your contract?

Answer. I should have made a small commission.

Question. Do you know whether Smith did go on and deliver the whole amount called for by his contract to the yard?

Answer. I cannot swear that he did, but it is my impression that he did.

He told me that he was going to do it.

Question. In the conversation which you had with Smith, did you in any way intimate to him that you could receive some favor here at the department, through Murdock, anything more than that Murdock would be willing to give you information as to how to put in bids?

Answer. That is all.

Question. Was there anything said to Mr. Smith about there being a way to . grease the wheels here or at Washington?

Answer. I never used that expression.

Question. What do you know, if anything, about the delivery of Straight's tin for Banca tin?

Answer. I know nothing positively on that subject; only by hearsay.

Question. Do you know it from Mr. Smith?

Answer. No.

Question. What is the difference in price between the two kinds of tin?

Answer. About five cents a pound; and it is rather difficult to tell the difference between the two kinds. It requires a very excellent judge who knows them.

Question. Will you state from your practical experience as a business man, knowing how these purchases are made at the navy yard there at Charlestown, whether the open purchases, as they are called, operate for the benefit of the government?

Answer. In my opinion the practical operation of the open purchases in Boston is, that the navy agent gives them almost entirely to one party.

Question. Who is that party?

Answer. It is generally understood by everybody in Boston to be Smithe Brothers & Company. I can only give my experience in relation to that.

Question. What is your experience; is there any competition allowed in these

sales?

Answer. Being a contractor myself, I had always understood, and I had understood it from the authority of Admiral Smith, that when my contracts with the bureau were filled, if the yard wished any more of the same sort of goods, the navy agent was obliged to apply to me for my prices, and if my prices for the article wanted were as low as those of anybody else, I should have the preference in furnishing them. Mr. Norton has never applied to me under any circumstances for anything for open purchases. I had a contract with the Bureau

of Yards and Docks for a quantity of nails; my contract was filled, I think, up to within six casks, and I received a requisition for six casks and sent them over. Shortly after I had some trouble with the accounts, and I went over to the navy yard to see how our accounts agreed, and Mr. Dunham, or Mr. Dunham's son, in looking over the requisitions, showed me that the day they required six casks of nails on my contract with the Bureau of Yards and Docks, they wanted six more casks for that same bureau, and of course they must be procured by open purchase, being above the quantity called for in my contract, and I was not applied to to furnish those six casks of nails, but they were given to Smith Brothers & Company, and the bill was shown to me on the naval storekeeper's books there.

### By Mr. Buckalew:

Question. At what price?

Answer. At the market price and a commission over the market price. You could buy nails at four and one-half cents a pound at that time, and they were put in by Smith at four and three-fourths cents.

Question. What was the price in your contract?

Answer. Five cents a pound for nails. What I mean to say is, that they did not apply to me, and, as I understood from Admiral Smith, they ought to have applied to me, and if I was willing to furnish them as cheap as anybody else I should have had the preference.

Question. You do not refer to any law, but to custom?

Answer. That I understood was the custom.

### By Mr. Doolittle:

Question. Are there any other statements you can make in regard to the

matters of inquiry before this committee?

Answer. I find some things in contracts made some time since which seem to me very singular. As near as I can remember, I saw a contract in the Charlestown navy yard with Smith Brothers & Company, in which they were to have either one dollar or half a dollar a ton for 500 tons of Scotch pig iron, and were to have \$32 or \$33 a ton for 500 tons of No. 1 American pig iron, and, according to my recollection, at that time Scotch pig and American pig would not exceed \$20 a ton in value in the market. I inquired if that Scotch pig iron was put into the yard, and understood that it was not, while the American pig was put in at a profit, of course, of \$13 a ton. The Scotch pig, which was taken at a mere nominal price, was not put in. That is what I heard at the time, but that can easily be found out by investigation at the yard.

Here is another thing. I had occasion to inquire about pig iron, and I now

have a copy which I made from the books.

Mr. Buckalew. What books?

The witness. I asked in the Bureau of Construction to be permitted to see how much iron was delivered of class B. They always mark in pencil marks on the books the amount delivered, so as to know what amount has been delivered on each class. In class B, the contract called for 50 tons of No. 1 American pig iron, and Smith Brothers and Company bid \$33 a ton, and called for 50 tons of No. 2 pig iron, which they bid for at \$18 a ton. There is generally a difference of two dollars a ton between the market price of the two. They put in one hundred tons at \$33, and 23 tons at \$18. At that time the iron was worth about \$20 a ton.

I think that old way of bidding has now all passed away. But I find a contract of November 9, 1862, with the Bureau of Yards and Docks for 6,000 pounds of cast steel, 300 pounds of German steel, 1,000 pounds of octagon steel, 500 pounds of hammered steel, 500 pounds of wire steel, 500 pounds sheet steel, and 400 pounds of English steel. Smith Brothers and Company got the con-

tract at seventeen and one-half cents a pound for the cast steel, one-fourth of a cent for the German, five cents for the octagon, one-half cent for the hammered, one-half cent for the wire, one-half cent for the sheet, and one-half cent for the English steel. Of course, these half cents and quarter cents are mere nominal prices, as anybody knows who knows anything about steel. I was curious to see how much was delivered under this contract, and I find that, of the cast steel, at seventeen and one-half cents per pound, and of which the government advertised for 6,000 pounds, 13,2031 pounds were delivered, more than double the amount advertised for. Of the German steel, at one-fourth of a cent a pound, they delivered none. Of the octagon steel, at five cents a pound, they delivered 423 pounds out of the 1,000 pounds advertised for. Of the hammered steel, at one-half cent a pound, none was delivered. Of the wire steel, at one-half cent a pound, none was delivered. Of the sheet steel, at one-half cent a pound, none was delivered. Of the English steel, at one-half cent a pound, 235½ pounds were delivered.

Mr. Buckalew. Do I understand that you are reciting particular items from bids, or the whole of them?

Answer. I give the whole of a class.

Mr. Buckalew. I am asking generally in regard to the case you have just

That was the way the bid was taken, and Answer. That was a whole class. I have given the amounts delivered. I presented it merely to show how parties were able to make something. This is the entire class 13 under the advertisement of the Bureau of Yards and Docks of October 9, 1862. Then there was a contract at the same time with the same parties for pig iron, and the advertisement under that class called for 20 tons of Scotch pig, 50 tons of No. 1 American pig, 25 tons of No. 2 American pig, 10 tons of No. 1 charcoal, and 10 tons of No. 2 charcoal. These parties bid \$1 a ton for the Scotch pig iron, \$36 a ton for the American pig iron No. 1, \$20 for the American pig iron No. 2, \$20 a ton for No. 1 charcoal, and \$10 a ton for No. 2 charcoal. The price of Scotch pig iron in October, 1862, I should say, was about \$20 a ton, and No. 1 American pig about the same. No. 2 was generally \$1 or \$2 a ton less. The charcoal iron No. 1 is usually worth something like \$10 a ton more.

I was interested to see how much was delivered at the yard under this class, and I found that there were 10 tons of Scotch pig, at \$1 a ton, only one-half the number advertised for; 86 tons of No. 1 American pig, at \$36 a ton, which was 36 tons more than the contract required; 15 tons of No. 2 American pig, at \$20 a ton, which was less than the bureau required; 3 tons of No. 1 charcoal, at \$20 a ton, when the bid was for 10 tons; and 2 tons of No. 2 charcoal, delivered at \$10 a ton, when the bid was for 10 tons. Then I had the curiosity to see what the average of that iron would be, and I found that there were 116 tons delivered, amounting to \$3,486, making an average of a little above \$30 a ton for that lot—more than \$10 a ton clean profit, in my judgment. I believe, however, this style of bidding is entirely ended since the law passed by

There is another thing that looks very bad. Here is a contract for \$15,000 pounds of sheet lead at 15 cents a pound, when certainly lead could not have been worth more than 8 cents, and 106,000 pounds delivered, instead of 15,000, and Mr. Smith said that he had put 182,000 pounds into the yard. Mr. Buckalew. What is the date of that?

The witness. I have not the date, but I suppose it to be October 9, 1862. This is class 30. The government advertised for 5,000 pounds of pig lead, and Smith got the contract at \( \frac{1}{4} \) cent a pound, 10,000 pounds of drawn pipe at 5 cents a pound, 15,000 pounds of sheet lead at 15 cents a pound. He actually delivered on that 4,916 pounds of pig lead, being within a few pounds of what was called for; 21,693 pounds of drawn pipe, being double the amount required; and 106,616 pounds of sheet lead, at 15 cents a pound, being something like seven times as much as was advertised for.

By Mr. Doolittle:

Question. What was the fair market price of those articles at that time?

Answer. I do not dare to state that, because I cannot tell. I should judge that the pig lead might have been worth 6 cents a pound. The sheet lead would be more. Perhaps 8 cents a pound for that at that time would be fair.

I should say 8 cents a pound at that time for drawn pipe.

Then there is the contract of Smith Brothers & Company with the Bureau of Construction, for class 25, November 8, 1862. They bid for 200,000 pounds iron at 4½ cents a pound—delivered 413,204 pounds; 60,000 pounds of round iron at ½ cent a pound—delivered 60,132 pounds; 30,000 pounds of square iron at ½ cent a pound—delivered 49,810 pounds; 50,000 pounds square iron at ¼ cent a pound—delivered 34,242 pounds; 40,000 pounds hammered iron at ¼ cent a pound—delivered 40,008 pounds; 75,000 pounds of flat iron at 7 cents a pound—delivered 114,248 pounds; 20,000 pounds flat iron at ¼ cent a pound—delivered 35,521 pounds; 5,000 pounds of hoop iron at 8 cents a pound—delivered 10,000 pounds; 2,000 pounds thimble iron at 6 cents a pound—delivered 4,000 pounds; 1,000 pounds sheet iron at 11 cents a pound—delivered 1,055 pounds; 500 pounds of Russia iron at 25 cents a pound—delivered 4,564 pounds, being nine times the amount called for; 5,000 spike rods at 5 cents a pound—delivered 14,928 pounds; 1,000 Russia rods at 10 cents—delivered 1,600.

Question. State the market price of these articles at that time.

Answer. I cannot, sir, give the market price. I can only give you my judgment. All kinds of iron were at very low figures in that period in 1862. I should say  $3\frac{1}{2}$  cents a pound was enough for the round iron. It would depend a good deal on size as to price. Flat iron is the same price as round iron. As to hoop iron I could not judge, but I should say perhaps 6 cents at that time. Russia iron is the most important, and I should judge that in 1862 it was about 14 cents a pound, for I bought at  $17\frac{1}{2}$  cents in the following June, when everything had advanced.

Question. Do you know anything about the other bids for class 26 ?

Answer. I merely took that down, because square cast steel is worth more than round steel. The prices to-day for square cast steel are 16 cents a pound in gold, and for round cast steel 10½ cents in gold; and the bid was 14 cents for square steel, and 18 cents for round steel.

Question. Then there is shear flat steel and blister steel—what do they bid

for that ?

Answer. Half a cent a pound for each of those articles; 14 and 18 cents for the others.

# Testimony of Joseph L. Savage.

FEBRUARY 22, 1864.

JOSEPH L. SAVAGE sworn and examined.

By Mr. Hale:

Question. Where do you reside?

Answer. I am residing in Brooklyn at present.

Question. Where have you been residing for some years past?

Answer. I am a native of Washington. I resided in Washington up to 1860.

Question. And since that time in Brooklyn?

Answer. Yes, sir; since that time in Brooklyn.

Question. What is your business?

Answer. It is the general hardware business and naval supplies.

Question. Where is your place of business?

Answer. I have a place of business in Washington city and one also in New York.

Question. Are you in company with anybody?

Answer. No, sir.

Question. Have you any business connexion with C. W. Scofield?

Answer. I know Mr. Scofield very well, and I have not interfered with classes which he bid for. I have not bid for them.

Question. Have you any business connexion with him?

Answer. Nothing more than that. Of course we had business together. I buy a great many goods from him.

Question. Do you occupy the same place of business in New York?

Answer. I have an office in his store.

Question. Do you do business in the same room with him?

Answer. It is his counting-room. I have a desk there just the same as the other desks.

Question. In the same room with his?

Answer. Yes, sir; it is in the same room. That is very customary in New-York. There are sometimes as many as half a dozen in one counting-room together in different businesses.

Question. Do you know H. J. Collins?

Answer. Yes, sir.

Question. Where is he? Answer. In New York.

Question. Have you any connexion with him?

Answer. I had some contracts at the Kittery navy yard, and I sold them to Mr. Collins; that is, for a sum of money he took the contracts, and I gave him powers of attorney, &c., to collect the moneys, and I had nothing more to do with them.

Question. Is that the only business you have with him?

Answer. Yes, sir.

Question. Or have had?

Answer. Yes, sir.

Question. Did you and Collins and Scofield know of each other's bids?

Answer. No, sir.

Question. Knew nothing about them?

Answer. No, sir.

Question. Had no consultation?

Answer. No, sir.

Question. Did you bid for a class F at Kittery last year-April 7, 1863?

Answer. I think it very likely. I am not positive about it.

Question. Turn to page 973 of the Secretary's report. You took that contract?

Answer. Yes, sir.

Question. Have you any explanation to make of the prices there?

Answer. Kittery is a yard for which I never bid before this past year. In bidding for these contracts I found that there were but few bidders who bid; many times but one bid put in. I bid for several yards. I bid for Washington, Brooklyn, and Kittery; and all the yards outside of Washington and New York—or rather those for Kittery—I put at good round prices, because goods were advancing at that time, and I did not want to be caught with contracts on my hands on which I would lose perhaps a large sum of money.

Question. What was the market price of cotton waste at that time?

Answer. I think from 35 to 40 cents, but I had bought it a year before that for five or six cents.

Question. Do you remember selling to the navy agent at that time more than the two thousand pounds that you contracted for?

Answer. These are the contracts I sold to Mr. Collins.

Question. In making your sale to Collins, what did you estimate this contract at; how much did he pay you on that?

Answer. That I could not tell unless I was in New York.

Question. If you sold to Collins, you probably knew something about them when you put in the bids; you say that you think cotton waste was worth from 35 to 40 cents?

Answer. Yes, sir.

Question. What were the anvils worth by the same standard?

Answer. Anvils are of different qualities. The highest priced or the best quality anvil, weighing 200 pounds, would be worth in the neighborhood of \$40 for me to buy.

Question. What were the chopping axes worth?

Answer. They are also of various qualities. Hunt's axe is considered the best, ranging from \$1 75 to \$2.

Question. What were the small axes worth?

Answer. I do not know what kind of axes were put in at all.

Question. You knew when you made the contract what they wanted?

Answer. No, sir; I never saw the samples. I never was at Kittery previous to this bid.

Question. You must have had some mode of judging of the price?

Answer. I should think best quality handled axes worth from twelve to fifteen dollars.

Question. Apiece?

Answer. No, sir; by the dozen.

Question. They are given by the piece here.

Answer. Then from a dollar to a dollar and a quarter.

Question. What are the calipers worth?

Answer. It is impossible for me to say exactly.

Question. What is the best judgment you can give?

Answer. I can quote you calipers at \$6, but there are what are called masked calipers, that cost from \$2 50 to \$3 each.

Question. It is simply "calipers" here?

Answer. Yes, sir; but they can require just what they want.

Question. Give us the best judgment you can about it?

Answer. I really do not know what was put in. Question. I do not ask you what kind was put in.

Answer. My answer is, that I do not know what kind was put in.

Question. How is it as to the dividers?

Answer. They cost from fifty cents to two dollars.

Question. How is it as to grindstones?

Answer. I cannot say. I can tell you what kind I furnish here.

Question. Give the best answer you can. What are those grindstones worth? What is the market price?

Answer. I do not know what kind were furnished.

Question. I ask you what is the market price of grindstones, 150 pounds each. Answer. They do not always receive in the yards what we find in the market. We have got to get them up specially after their sample.

Question. Is that all the answer you want to make to the question?

Answer. I do not know.

Question. What is the market price of hydraulic jacks?

Answer. I think from sixty dollars to a thousand.

Question. Is that your answer to that?

Answer. Yes, sir.

Question. What are scale beams worth? Answer. From five to twenty-five dollars.

Question. What are the sieves worth?

The witness. Iron or brass?

Mr. HALE. That is not mentioned here.

Answer. From twenty-five cents to three dollars.

Question. What are scoop shovels worth?

Answer. They are worth from one dollar to two dollars.

Question. What are steel squares worth?

Answer. Steel squares are worth from \$1 25 to \$1 50.

Question. What are iron squares worth? Answer. From twenty-five to fifty cents.

Question. What are monkey wrenches, assorted, worth? Answer. I do not know exactly what a monkey wrench is.

Question. It seems you knew enough to bid.

Answer. Well, sir, I once had monkey wrenches or something of that kind furnished me, and they compelled me to furnish ratchet drills.

Question. Where was that?

Answer. At Brooklyn navy yard.

Question. When?

Answer. Within two years. I cannot locate the time. Question. Under a bid for Coe's monkey wrenches?

Answer. I will not say of Coe's monkey wrenches, but a name something like this, not calling the article by its name. Those ratchet drills are worth from ten to fifteen dollars each.

Question. Do you say that you proposed for monkey wrenches and were

compelled to furnish ratchet drills?

Answer. No, sir. I had a contract at the Brooklyn navy yard for wrenches not properly described, and I was compelled to furnish ratchet drills, which cost from twelve to fifteen dollars each, or from ten to fifteen dollars each.

Question. Do you know who else bid at the Kittery navy yard at this time?

Answer. I do not.

Question. Did you have any correspondence or communication about this bid with either Henry D. Stover or H. J. Collins?

Answer. No, sir.

Question. Did they know the sum you put in?

The witness. When I put it in?

Mr. HALE. At any time before it was put in?

Answer. No, sir.

Question. How long before that contract was awarded was this bid put in?

Answer. That I cannot recollect. I suppose a week; it may not have been so long.

Question. Do you remember putting in a bid that was rejected at the last

bidding for high prices?

Answer. I recollect it very well.

Question. There seem in that bid to have been several alterations made in

the prices. Do you recollect anything about that?

Answer. I recollect I very often altered my bids in consequence of increase of prices, combinations, or something. The manufacturers advanced the prices, and we would have to advance with them.

Question. How long was that bid made out before it was handed in?

Answer. I generally commenced making out my bid as soon as I received my schedule, that is, about thirty days.

Question. Do you generally make alterations after you have filled up the bid and carried out the amounts and footed them up in the aggregate at the bottom? Answer. Yes, sir.

Question. How long is that generally done before you put the bid in?

Answer. Two or three days. I generally come to Washington with my bid, and I get the broker in New York who looks after my metals, &c., to keep me advised as to the state of the markets, and if there is any advance he telegraphs me, and then I make the alterations.

Question. Have you ever altered any after they were put in?

Answer. No, sir.

Question. Have you ever had any information about the state of the bids before they were put in?

Answer. I never have.

Question. Was there any other bid that you made that year that was so much above the price as this one at Kittery?

Answer. That one that was rejected they considered very high in the prices.

Question. Do you know how much?

Answer. They wrote to Mr. Delano, the naval constructor at Brooklyn, about them.

Question. Do you know what he said the articles could be furnished for?

Answer. I think he said somewhere in the neighborhood of twelve or thirteen thousand dollars.

Question. Do you know what the bid was, as it was originally footed up in the column of amounts?

Answer. I do not. I do not recollect it.

Question. Do you know how much the amount was as the bill was finally verified?

Answer. In the neighborhood of twenty thousand dollars; I will not be sure whether it was more or less; it was in that neighborhood.

Question. Then you had no combinations with anybody; neither with Sco-

field, nor Collins, nor anybody else about bidding?

Answer. Never.

Question. Every bid of yours has been an honest, bona fide proposition?

Answer. It has.

Question. You have two places of business—one in Washington and one in New York?

Answer. Yes, sir; I generally stay in New York to buy these supplies. Since this war has broken out prices have fluctuated greatly, and I am generally on the spot. I am satisfied that by being in New York I saved myself from a very heavy loss on these last contracts. I had a contract there for ingot copper; as soon as I got the contract I made my contracts for the copper; had I waited until now it would have made a difference of about \$80,000 in that one class; so that I find it better to be on the spot to make my contracts with the manufacturers. They are almost weekly advancing their prices, which is, I am sorry to say, done through combinations.

Question. Where is Collins's place of business?

Answer. He is in Maiden Lane; I do not recollect his number; the firm is now Lockwood & Collins. He is now in Washington. There are some bids to be opened to-day in the Bureau of Construction.

Question. What was the name of the firm formerly?

Answer. H. J. Collins & Co.

Question. Have you ever given out your name as J. L. Savage & Co.?

Answer. Not since my father was connected in business with me; that was six years ago.

Question. Have you ever been known in any way as C. W. Scofield & Co.?

Answer. Mr. Scofield and Mr. Raymond are partners.

Question. Have you ever been included under that firm?

Answer. No, sir; I never had anything to do with Mr. Scofield's business, one way or the other.

Question. And never knew anything about his bids?

Answer. No, sir.

Question. Nor Collins's either?

Answer. No, sir.

Question. When you corrected your prices before you entered your bid, did

you also make corrections of the amount opposite them?

Answer. Sometimes I would, and sometimes I would not. There are a great many classes that we bid for, and it is quite a job to alter them. There is a form we have to comply with; so that sometimes we omit making the alterations in the additions before we put in our bids. When I think of it, I always do it.

Question. Do you know anything about how the bids are kept after they are

received?

Answer. I do not. I never see them after they go in charge of the bureau. Question. Is there any other explanation you want to give of that bid at Kit-

tery than what you have given?

Answer. I should like to say this: that in bidding for all these classes at Kittery, I did not expect they would be awarded me; I supposed merchants in the vicinity would bid at less prices, and of course get the classes.

### Testimony of John W. Bronaugh.

FEBRUARY 22, 1862.

JOHN W. BRONAUGH, chief clerk of the Bureau of Yards and Docks, sworn and examined.

By Mr. Hale:

Question. Turn to "New York, class number 11, iron spikes and nails," and say to whom the contract was awarded.

Answer. C. W. Scofield Question. For how much?

Answer. The aggregate amount is not given. In some of the other bureaus I believe they do give the aggregates. They used to give the aggregate amount in the Bureau of Construction when I was there.

Question. Tell me what the aggregate amount is there? You can cast it up.

Answer. \$32,026 82.

Question. That is what it is put down in your schedule?

Answer. The correct amount is put on the scale. Question. Now turn to class 12 at the same place?

Answer. That is Scofield's also, at \$3,946.

Question. You have the total of all the bids that were rejected?

Answer. Yes, sir; we have here all the bids received, whether they got a contract or not.

Question. What is the total given out of class 15?

Answer. Class 15 is \$9,251 92.

Question. What is the footing there of class F?

Answer. \$16,777 48. He gets that class.

Question. State what was the original footing, as given in by him, on class 17? Answer. \$15,958 48.

Question. I wish you to state whether or not there seem to have been, in class 17, considerable alterations made in the column of prices?

Answer. Yes, sir; they look as if alterations had been made.

Question. Do they look as if the figures had been written once and then been written over again?

Answer. Yes, sir.

Question. Nearly all of them seem to have been altered?

Answer. Yes, sir.

Question. Here is one article here, "a riveting machine." Does that seem to have been altered in the price and in the aggregate both?

Answer. It looks very much like it. Question. The amount is \$1,425?

Answer. Yes, sir; it looks very much like it. Question. Now look at your scale for class 23?

Answer. The amount is \$6,071 80; it should be \$7,071 80.

Question. Was that awarded to Mr. Scofield?

Answer. Yes, sir.

Question. How many other bidders were there?

Answer. Five besides Scofield; six in all. Question. Name them, and the sums they bid.

Answer. Scofield, at \$6,071 80; J. R. Elvans, \$6,402 56; William A. Wheeler, \$8,015 65; James R. Pugh, \$9,966 55; F. Orne, \$6,619 50; H. D. Stover,

\$6,232 37.

Question. State whether or not that footing of Scofield's appears to have been something else originally.

Answer. It appears to me so—something; I do not know what.

Question. Does it seem as if something else had been written before it?

Answer. Yes, sir; that is my idea about it. The six looks as if it had been tampered with in some way.

Question. Who got the contract for "class T, ship chandlery?"

Answer. Mr. Bingham.

Question. What does his bid foot at?

Answer. \$17,778 23.

Question. What was Scofield's bid?

Answer. \$18,053 90.

Question. What was Scofield's original feeting there?

Answer. \$12,053 90 was his original footing.

Question. State whether in that footing he gave of \$12,053 90, you discovered at the office that there was an error, and that it should have been \$13,053 90.

Answer. Yes, sir; that was the error in the footing.

Question. If it had not been for that error, Scofield would have got the contract as it stood, would he not?

Answer. Yes, sir; notwithstanding his price here, if it had not been for his error in footing extension he would have got the contract.

Question. Now state whether or not there appears to have been a figure 1 added to the 65 there.

Answer. I do not know what to think about that.

Question. Give your best judgment by looking at the footing, &c.

Answer. It seems to me that if there was any alteration made, it must have been in the cents instead of in the dollars, because it does not seem to me he would have made the 65 so clumsily. That is my real impression about it.

Question. Supposing the bid to have been 65 cents instead of \$1 65, is the

amount carried out right?

Answer. Oh, yes; at 65 cents the amount is carried out right by him.

Question. Would the adding of one dollar to that bid make a difference of \$5,000 in the amount?

Answer. Yes, sir; just exactly.

Question. As you say the sum is carried out right by 65, supposing a 1 to have been added on the left hand of the 65, and the bid thus increased \$5,000

would Scofield have got the bid if you had not discovered the error in his bid of one thousand dollars?

Answer. Yes, sir; Scofield would if I had not discovered the error in his footing; because after these corrections the difference is only \$275 67 in the two.

Question. Against him?

Answer. Yes, sir.

## Testimony of Samuel Woodruff.

FEBRUARY 26, 1864.

SAMUEL WOODRUFF sworn and examined.

By Mr. Hale:

Question. Are you of the firm of Woodruff & Beach, of Hartford, Connecticut?

Answer. I am.

Question. Have you ever had a man named Wright as partner or employé?

Answer. He was not a partner. He was in our employment for about tenyears. He was foreman of the shop, and left us last September.

Question. Did you ever tell him that you had to pay commissions to Faxon?

Answer. Never, sir.

Question. Did you ever say anything to him about paying commissions to Faxon?

Answer. Never in the world. Question. Or to anybody else?

Answer. No, sir.

Question. Did you ever tell him to slight his work?

Answer. Never in the world.

Question. Do you know of any moneys having been paid by your firm, or

anybody for your firm, to Mr. Faxon or anybody else?

Answer. Not one single dollar was ever paid in the world. If Mr. Wright says anything of that kind, he tells that which is false, and I do not believe he can look you in the face and tell you so. I want to explain about that. Mr. Stover got hold of Mr. Wright and told Mr. Wright that he was going to get a government contract for some of these 60-inch engines, and that Wright was to go in with him and have one-fifth of the profits. We built the Pequod on a new plan, on Wright's patent for the engines. We got them all nearly finished, and found that he had made a mistake; that he had made the pumps too small. Stover got hold of him and got him away from us. For his not fulfilling his contract we attached all the property he had, and a suit is now pending, and he feels very bitter towards Woodruff & Beach. For that reason he will say things and do all he can to injure us.

Question. Did you ever pay anything to anybody in the Office of Steam

Engineering for plans?

Answer. We have done so. I do not know that the money went to the Office of Steam Engineering for plans. We bought of Mr. Whiting, or made a contract with him for photographic drawings for these 60-inch engines, sixty by thirty-six, for which we were to pay him \$1,000. He is in that office, but the contract was not made with the Bureau of Steam Engineering.

Question. Do you know what office Mr. Whiting holds in that bureau?

Answer. I do not know what office he holds. He is draughtsman there; he makes the drawings and plans.

Question. What were those drawings?

Answer. Photographs.

Question. Do you know whether Whiting received the same amount from others besides you?

Answer. Only by hearsay.

Question. Do you know it from him?
Answer. Yes, he said he had received it.
Question. Did he say in how many cases?

Answer. I think seven or eight.

Question. Did you pay the \$1,000?

Answer. We have not paid it. We have paid a portion of it. We pay him monthly as the thing goes along. He furnishes the drawings; the drawings do not all come at once.

Question. State whether or not you have ever had your requisitions for pay-

ments due to you put forward out of their place and order.

Answer. Not to my knowledge. I will tell you how that business is done. When on our contract a payment is due, the superintending engineer approves our bill. That bill is then sent down to New York to a board of engineers there, who approve it also, and they forward it to Washington, and from Washington it is returned to us. When it is returned to us, we deposit it in bank, and the bank collects it for us. Then whenever the money is sent from Washington to New York, to the navy agent, we get our pay. That is the way our business is done.

Question. Have you ever paid anything to anybody for having those bills or requisitions put forward?

Answer. Not a cent.

Question. Nor promised anything?

Answer. Nothing whatever.

. Question. Do you know anything about any such sums having been paid by anybody?

Answer. I do not.

### By Mr. Doolittle:

Question. As something has been said about your work being slighted, will

you state briefly how the work done by you has been done?

Answer. We built the Mohican. She was at sea twenty-one months, and came home without needing any repairs, ready for sea again in three days, so far as the engine was concerned. On the Kearsarge we were entitled to five days' trial at sea, but instead of that she was sent immediately off after the Alabama without having the five days' trial, and she has been after the Alabama ever since. She has never broken down, and has given perfect satisfaction. Then we built the Nipsic. She is a gunboat of 580 tons burden, and makes eleven and a half knots an hour easily. Then there is the Pequod, which is on a new plan of our own getting up; Mr. Wright designed that. That goes about eleven knots, about the same as the Nipsic; there is not much difference.

Question. State generally as to the work you have done; how has it proved

on trial?

Answer. So far as we can judge with others, it has been of the very first order.

# Testimony of Rear-Admiral Joseph Smith.

APRIL 1, 1864.

Rear-Admiral Joseph Smith sworn and examined.

By Mr. Hale:

Question. What is your position in the navy?

Answer. I am rear-admiral on the retired list, and chief of the Bureau of Yards and Docks.

Question. Do you know anything of purchases being made in your bureau,

not made by navy agents, since this administration came into office?

Answer. Some have been made. Articles are sometimes purchased not by the navy agents. I can answer for no bureau but my own. I suppose others make purchases also.

Question. Are the navy agents ever called upon to pay for purchases not

made by them?

Answer. They are. When purchases are made by authority of the department, and the bills are approved, they are paid by navy agents always.

Question. Have you purchased submarine armor for the navy yards?

Answer. I have.

Question. What have you paid for it?

Answer. \$1,900 or \$2,000 per set.

Question. How many have you purchased for Charlestown?

Answer. One only, I think. Question. Any for Brooklyn?

Answer. One only.

Question. Any for other yards?

Answer. As nearly as I recollect, the one for Boston was purchased many years ago. One for Brooklyn and one for Portsmouth were bought some three years ago. The navy agent purchased one for Brooklyn, and the commandant another. They wanted one at Portsmouth, and I refused to purchase one, telling them we had no money to spend for such purposes. Afterwards one purchased at Brooklyn was sent to Portsmouth, on the requisition of the commandant.

Question. How many have you purchased in all?

Answer. Four or five, I think.

Question. Of whom did you purchase them?

Answer. Of Mr. Wells, who represented himself as the patentee, except the one purchased by the navy agent at New York.

Question. Was he the manufacturer of them?

Answer. He said he was. He came to the Secretary of the Navy with strong letters. Wells and Gowan had cleared the harbor of Gibraltar of the wreck of the frigate Missouri. I think Wells had letters from Mr. Sumner and the governor of Massachusetts. The Secretary sent him to me with this indorsement on his letters: "Referred to Bureau of Construction and Bureau of Yards and Docks." The bureaus recommended the purchase. He said he had a patent for them, and had sold them for more. We chaffered with him some time in regard to the price. I do not know whether or not anybody else had the right to manufacture them.

Question. How have prices been for purchases made by the bureau and those

made by the navy agents?

Answer. I do not know that you can make a comparison, because the bureau purchases are principally those of machinery, and the purchases of navy agents are upon requisitions of the commandants; and whether the prices are high or low depends upon the authorities at the navy yard, who determine that question.

Question. Do you know of requisitions having been made upon the navy agent by the commandant of the yard, and the articles at the same time ordered

by some one else, and the bill sent to the agent to pay?

Answer. I do not recollect now of any such instances, but they may have

occurred.

Question. Do you not know that that was the fact in regard to the crank for

the steamer Cambridge, ordered of Lazelle & Perkins, of Bridgewater?

Answer. I can tell you the whole story about that crank, as far as I know anything about it. It does not belong to my bureau, and is not a concern coming properly under it. It appears that the Cambridge broke her shaft, and

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another shaft was ordered by the chief of the Bureau of Construction for the chief of the Bureau of Engineering, who was absent. The order was to have the shaft made forthwith.

Question. To whom was the order given?

Answer. Lazelle, Perkins & Co. It appears the shaft was made forthwith and sent to the vessel, and the bill for the shaft was sent to the navy agent for payment, having been approved by the commandant of the yard, as I suppose. I never saw the bill. The navy agent put it in his drawer, and kept it there for about three months. The manufacturers, Lazelle, Perkins & Co., wrote a letter to me, stating that that bill had been withheld by the navy agent; that they had called upon the navy agent for the payment, and that he informed them that he had not the bill. The man that called, the representative of the firm, said the bill was there for payment. The man said the agent hunted around, and at last found the bill. The agent said, "I am not going to pay this bill, the order did not go through me." This firm wrote a letter to me, and asked me how they were to get the money. I sent the letter over to the Bureau of Engineering, and they said the navy agents were my concern, and told me I must inquire about it. So I wrote a letter to the navy agent. The navy agent said that the requisition did not come to him except with the bill, and he did not order the machine, and then he said it was charged at a high That letter from the navy agent I sent to Lazelle & Perkins for ex-They said, in explanation, that the shaft was ordered to be completed forthwith; that they took a very important work out of their biggest lathe for this shaft, and put it into the lathe and turned it as quick as possible, and sent it off; that they worked night and day; and that their charge was a proper one, or something to that effect. Then I sent that letter to the navy agent; and he went around amongst manufacturers in Boston and got their prices, to see what they would have charged for the shaft. I never saw the bill. He got the prices of the manufacturers in Boston; and he said the price charged was higher than they would charge. I then sent the bill to Lazelle & Perkins, and told them to make such reduction as was proper. They wrote back and stated the circumstances: that they had worked night and day, &c. One of the parties in Boston-Curtis, I think-had stated to the navy agent that he would make the shaft for so many cents a pound, thirty-nine or forty cents. Lazelle & Perkins, in their reply, said it was very strange that a party who offered to make the shaft for thirty-nine or forty cents a pound was having a shaft made at their establishment then, in ordinary time, at fifty cents a pound; that they worked day and night, and took a piece of work out of their big lathe for the purpose of having this shaft made, and despatched it at once. I then gave the letter to the chief of the Engineering Bureau, and told him he must settle it himself. was not my business to pay the bill.

Question. Was it paid?

Answer. It is not paid yet, that I know of. I do not think it is, because it is only two or three days since I told the engineer he must settle the bill him-

Question. Was the price that Lazelle, Perkins & Co. charged for it nearly

double what it could have been had at at other manufactories?

Answer. I think not. I do not know what the price was. I repeat I never saw the bill.

Question. In your letter, did you censure the navy agent for not paying it? Answer. No, sir. I censured him for holding the bill without reporting the case to the commandant or the authorities of the department. He considered that he ought to be commended for his conduct. I told him that I passed no censure on him for his objecting to pay the bill on account of the price, but commended him for that, because it was proper, when objection was made to a high price, that the matter should be reported to the bureau or the authorities; but I did

intend to censure him for putting that bill into his drawer and keeping it there three months without reporting the case to the commandant of the yard or to the bureau.

Question. How many futtock saw-mills have you bought since this adminis-

tration commenced?

Answer. Two.

Question. Where were they put up?

Answer. At Portsmouth and at Boston.

Question. Were they, or either of them, recommended by the constructors?

Answer. Yes, sir.

Question. Was the one at Charlestown recommended by the constructor there?

Answer. I think so.

Question. In writing or verbally?

Answer. Verbally.

Question. How about the one at Portsmouth?

Answer. That was recommended too. Question. In writing or verbally?

Answer. I do not remember, but I think it was in writing.

Question. What did you pay for them?

Answer. Ten thousand dollars each.

Question. To whom did you pay the money?

Answer. To the manufacturer, Mr. Hamilton, the patentee, or to Hamilton & Schuyler. We paid precisely the amount appropriated by Congress. Congress appropriated that money. The mill for Boston was not put into the estimates till after the general estimates were made up; that for Portsmouth was in estimates accompanying the public documents. I did not care about purchasing the mill, but the purchase was urged upon me; and in letters from New York, where the mill was put up several years ago, the constructor stated that his mill saved the services of twenty men a day.

Question. Who urged upon you the purchase of that one at Charlestown?

Answer. The people at the yard.

Question. Was there an appropriation for it?

Answer. Of course. How you could you build it without? There was an appropriation by Congress of \$10,000 for a futtock saw-mill at Boston, and another at Portsmouth, New Hampshire. The committee questioned me about it, and I told them I did not care whether they had the mill or not.

Question. Was this money paid to Hamilton in person?

Answer. It was paid to Schuyler & Hamilton, I suppose, in person. They could not get it without going to the navy agent and obtaining the money themselves. I hardly think they have got all the money yet. They may have got the money for the Boston mill; I do not think they have for the Portsmouth one, because it takes some time now to get a payment through the treasury.

Question. What is Hamilton's first name?

Answer. I do not know; I forget.

Question. In your answer to Smith's pamphlet, you state that you have seen no evidence of any tampering with the bids for supplies. How is that? Have you seen or not any evidence of tampering with the bids for contracts?

Answer. I have not seen any. I had some trouble in regard to the last bids that were opened. I was very specific in the advertisement to say that I would receive no bids after the time. People had been in the habit of bringing in their bids in person, and the day before the last bids were opened a flood came and carried away the bridges between here and Baltimore. Many of the parties got as far as Baltimore and telegraphed me the condition of things, and I determined to receive their bids if they brought them as soon as the cars arrived.

Question. In regard to the futtock saw-mills, do you know of anybody interested in them besides Hamilton & Schuyler?

Answer. No, sir.

Question. Do you know anybody that employed Hamilton, or superintended the putting them up?

Answer. He was there himself. He is a very old man, I suppose eighty

years old, and he put them up himself, as I believe.

Question. Was there any specification as to what sort of mills they should be? Answer. Certainly there was.

Question. Where was that?

Answer. In the contract. The mills were to be like that in New York, which we had proved, and to perform all the work that that did.

Question. Did you advance any money to Hamilton?

Answer. Certainly not. I have been fifty-five years in the navy, and on the 1st of June next I shall have been eighteen years chief of a bureau, and I have never been interested in or connected with, nor, to my knowledge, have other persons been interested in, any transaction that I have had with any party by contract or open purchase. It is a very common thing for a contract to be sold. You cannot help it; but they are always sold in this way, that the bills must be made out in the contractor's name, and if he gives a power to another man to receive the money, it is paid to the attorney. The contract system has always been bad. My reports show that I have been trying to break it up for the last eight or ten years. It is a very bad system. If you cannot get agents competent and honest enough to make your purchases on the best terms, you cannot get them on the best terms.

Question. You speak of having received some bids after the time fixed when there was a freshet. Have you received other bids after the time expired?

When you advertised for slips, did you receive bids after the time?

Answer. I have never advertised for ships but once.

Question. When was that?

Answer. After the first appropriation for iron-clads was made, which I took a great deal of interest in getting made, I conversed with people on the subject. I thought it necessary that we should be doing something whilst they were doing so much on the other side of the water. When the appropriation for the first iron-clad vessels was made by Congress, the law required the Secretary of the Navy to advertise for bids and to appoint three skilful naval officers to examine the bids, and upon their recommendation he was authorized to make a contract. Under that law he told me to put out an advertisement, which I did, and he told me, moreover, that I should be put on the committee as chairman. I begged to be excused, as I did not know much about iron-clads; but I was put on the committee and we received, I think, twenty-two offers for building iron-clad vessels. Amongst all of them we selected three as different kinds for experiments.

Question. Did you receive any of those bids after the time? Answer. I do not think we did, but I do not remember exactly.

Question. Have you been in the habit of receiving bids after the time?

Answer. No, sir. The only instance of it I told you, where the providence of God carried away the bridges. That was the last year's advertisement.

Question. Do you know how any of the futtock machines have been sold, independent of the mill—the patent right, or the machines?

Answer. I do not know.

### Testimony of George R. Wilson.

APRIL 30, 1864.

GEORGE R. WILSON sworn and examined.

Questions proposed by request of the Secretary of the Navy:

Question. Do you know of any files being offered at the Washington navy yard by Mr. Savage which you rejected as imperfect, and did one of the firm of Smith Brothers & Co. go to the yard to see why said files were not received? If yea, please state what occurred, what was said, and what disposition was made with those files.

Answer. There was a lot of files delivered at the yard by Joseph L. Savage—a lot of Whipple files. I examined the files and rejected them as being an inferior quality. After I rejected them, Mr. Savage came to the yard to know the objection, and I tried to explain it to him, but he did not understand the nature of files generally. Mr. Savage told me these files were received in all the other yards, under his and other contracts, and the party that furnished these files to him furnished them with the understanding that they should pass. About ten days, perhaps, after I rejected the files, a young gentleman came there with Mr. Savage, who said he was one of the firm that furnished those files. I showed him the defects of the files in two or three different cases, and he acknowledged the defects, and said that he was sorry that such files had ever come there, that he never intended such files to come to this yard, and appeared to be very well satisfied that the files were rejected. The files were taken from the yard, and I know nothing more of them.

By Mr. Hale:

Question. Do you know who was the young man that came with Savage? Answer. I do not. His name was given to me, but I disremember it now. Question. Do you know whether any one of the firm of Smith Brothers &

Co. was ever there?

Answer. I do not. I do not know any member of that firm. He might have been one of the firm, but I do not know. Mr. Savage told me he was one of the firm that furnished those files to him. I disremember whether he told me that he was of the firm of Smith Brothers & Co. or not.

# Testimony of A. B. Farwell.

APRIL 30, 1864.

A. B. FARWELL recalled and examined.

Questions proposed by request of the Secretary of the Navy:

Question. Have you with you the bids for supplies opened on the 22d day of February last, and the schedule made at the time?

Answer. I have.

Question. Did you assist at the opening?

Answer. I did.

Question. Were any of the bids scratched and altered? If so, exhibit some

of them to the committee, with such suggestions as occur to you.

Answer. Very many of them were altered. Here is a bid of Lockwood & Collins, opened February 22, under the advertisement of January 23, 1864, upon which they got a contract. This is scratched, as the bids have been heretofore. Lockwood & Collins got one class, 10, only. Here is the bid of Joseph W. Duryee for class eleven. Mr. Duryee does not get any contract; but

although he is an unsuccessful bidder, the writings and figures have both been changed from \$56,500 to \$55,900, and the change is in a different handwriting from all the other writing in the bid, and it is precisely as it came into the bureau, and as it was when it was opened. In the bids of Trickey & Jewett, under the same advertisement, there are inaccuracies in their aggregates amounting to a little rising \$6,000 in the whole. The amount of their whole proposals was about \$200,000. The next bid I want to exhibit is the bid of William A. The footings in that were inaccurate. At the time we opened the scale it looked as though Mr. Wheeler had eight or ten classes, but when the proper footings were made he lost every class but one class of \$600. There are very many mutilated figures in that bid, but they are now precisely as they were when received. Most of these bids were brought in on the day of the opening; there were but two or three sent forward by mail; and hence we know that in this case they are as they were received. In correcting our scale this year we took the precaution not to change in the scale any of the figures to make them correspond with the aggregate footing of the bids, but let the figures stand on the scale precisely as they were put down at the opening, but made the corrections in red ink immediately on the scale. In this exhibit which I now present, you will see the alterations in red ink all the way through. There is one bid carried up from \$66,000 to \$87,000; another from \$19,000 to \$26,000; another from \$26,000 to \$29,000; another from \$29,000 to \$31,000; and so on. These alterations were made on all the scales, you observe.

Question. Did any of the bidders make a variation in price for the same

article delivered at different yards? If so, show them to the committee.

Answer. There are many of the bidders for the same articles who differ in prices at different yards. Trickey & Jewett for white pine logs bid \$30 a cubic foot at Charlestown, and \$35 at Kittery. John A. Robinson bid for white oak plank stock logs 50 cents a cubic foot at Brooklyn, and for the same article at Charlestown 60 cents a cubic foot. The quantity was 100,000 feet in each case. William A. Wheeler charges 20 cents a pound for pig lead at Washington, and at Philadelphia 15 cents a pound.

Mr. Hale. I see that one of those is called "Missouri lead," and the other

simply "pig lead." They are not described as the same article.

The witness. There are 30,000 pounds of pig lead at Philadelphia, and the other is called Missouri pig lead at Washington. Wheeler charges 17 cents a pound for beef tallow at Philadelphia and 16 cents at Charlestown. I only brought down about half a dozen of these bids; I supposed only the scratched ones were wanted. These are all the instances I notice among the bids I have brought with me; perhaps if I were to go through all the long list of articles in these bids I might find others. There would be a slight difference naturally from the expense of delivering at different yards.

Question. Have you an opinion as to how much additional it would cost the government, at one or more of the yards, to reject the scratched or altered bids,

and accept the lowest clear bids?

Answer. At the Kittery yard it would be a loss to the government to reject the scratched bids of \$21,600 under this opening of February 22, according to my verification. That is the only yard that I have made an estimate of in that respect. Now I want to state the difference for the same article at the same yard between the highest bidder and the lowest bidder, showing the variety of opinion that existed as to what people could supply these articles for, as it relates particularly to the testimony given by Mr. Smith, where he says that some prices were very extraordinary; that it was very singular men should bid so high where public competition was invited, if you will allow me to put that in.

Mr. HALE. Certainly.

The witness. I will take class 1, at Kittery. The highest bid is \$39,000, by Wesley Smith, who was an old lumber dealer, and the lowest by Trickey &

Jewett, well known lumber dealers, \$20,250—a difference of \$19,000. For class 3, the highest bid is \$47,000, by Barker, a New York lumber dealer, and the lowest bidders, Trickey & Jewett, \$27,050, making a difference in round numbers of \$20,000. For class 6 the highest bid is \$80,000, by Wesley Smith, and the lowest is \$19,600, by William M. Shakspeare, of Smyrna, Delaware, who had to do with furnishing the government lumber for twenty years. The difference there is \$60,400. At Charlestown the highest bid for class 1 was \$130,000, by Wesley Smith, and the lowest, under which the contract was awarded to Robinson, \$60,000, making a difference of \$70,000. For class 4, the highest bid was \$36,000, by Wesley Smith, and the lowest \$20,400, by Freeman Orne, and for class 6 at the same yard the highest bid was \$140,000, by Freeman Orne, and the lowest \$94,000, by Shakspeare, making a difference of \$46,000. At the Brooklyn yard for class 1 the highest bid was by C. A. L. Blanchard, at \$160,000. I do not know personally who he was; I know he is a man who has frequently bid for lumber at our bureau. The lowest bid was \$50,000 by John A. Robinson, to whom the contract was awarded, and who is vouched for by Mr. Davis and other members of Congress from New York. There is a difference of 110,000. For class 6 at the same yard the highest bid is \$180,000, by Blanchard, and the lowest \$50,000, by William M. Shakspeare. There is a difference of \$130,000. I think these instances are sufficient to show what I propose to show, that people bid quite high where there are a good many competitors, as where there is but a single party.

Question. What is the difference in price and in the aggregate between the

lowest bidders for some articles and the next lowest bidders?

Answer. In some of them there is not more than 10 cents difference in a bid of \$20,000. Very many of them are ties, and have to be decided by lot. I have before me the bids for class 11, where the bid of Trickey & Jewett was \$11,250, of H. V. D. Barker \$11,500, and another bid for \$10,740. Here are the bids for whale oil, class 44, at Charlestown. The aggregate of Edwin L. Brady was \$14,000, and of Lockwood & Collins \$14,000.

Question. What do you know of these bidders; are they reliable men or deal-

ers in the articles?

Answer. I think the names of the parties that I have given here generally, if the allusion is to those spoken of, are dealers in the articles. Trickey & Jewett, Wesley Smith, Freeman Orne, Lockwood & Collins, and John A. Robinson are certainly dealers in the articles, because they all have had contracts with the bureau.

Question. Do you believe that alterations of the bids, after they were opened, have ever been made in your bureau; do you consider it possible that alterations

could be made without being detected?

Answer. I have no idea that alterations have ever been made in any bids that we received at our bureau. I cannot see how any alteration could possibly be made without detection, from the fact that they are all opened and examined quite closely by Mr. Lenthall and then they are verified by three separate clerks, one clerk verifying it and passing it to the next, and the second man passing it to the third, and they are not permitted now to go out of the hands of the clerks until the verification is made to agree by the three.

Question. Did any one have access to the bids before they were opened, ex-

cept the chief?

Answer. Not one but the chief.

By Mr. Hale:

Question. State how and where the bids were received and kept in your bureau prior to the opening—I do not mean the opening of this year, but the opening of 1863?

Answer. I do not know where they were kept prior to the opening. The

bids are brought up by the messenger and passed to the chief of the bureau, and he sorts them out. They are always marked on the back, "Proposals for materials for the navy," and the messenger passes them to the chief, and where he puts them none of us know.

Question. Are they indorsed with the class and the yard they are for?

Answer. No, sir, not in our bureau. I believe that applies only to the Bureau of Yards and Docks.

Question. Then they were not marked?

Answer. None of them were marked in our bureau for the classes, and it is very seldom that it is said on the envelope what yard they are for.

Mr. HALE. That is all.

The witness. I should like to make a statement in regard to a comparison instituted by Smith Brothers & Co. in their pamphlet, and in their testimony, in regard to the price of ash oars, as contracted for at Portsmouth and Washington. They were contracted for at about six cents apiece at Portsmouth, and about twenty cents apiece at Washington. That is my recollection. I do not now mean to say that that is the exact price, but I think that is it. They introduced that into their testimony and into the pamphlet, as showing a great discrepancy in prices. The fact is, that at Washington they were to be finished oars; at Portsmouth they were simply rafters split out and unfinished, just as they were split out of the wood, enough for an oar. At Portsmouth, even at six cents for unfinished oars, Mr. Vaughan, who is the contractor there, has written to be relieved from his contract, as it would be exceedingly burdensome for him to be obliged to fill it out at that price, being so much under what the This shows that there is not a loss to the government of the article is worth. difference between twenty and six cents, but it is a loss to Mr. Vaughan if he is compelled to fill his contract.

Another thing: Mr. Smith speaks in his testimony, and in the pamphlet, of the extraordinary difference between the price of glass at Brooklyn and Washington. The schedule for Washington, on which the bids were made and the contracts awarded, says that the glass here is to be double thick first quality Baltimore glass, while there is nothing of the kind said at Brooklyn, and they are different articles. I refer to this simply to show that the pamphlet and the testimony do not appear to have that generous disposition to do exact justice to

both sides that we should have been glad to see.

There is another thing. Mr. Smith says in his testimony that certain brass screws which were contracted for at seventy-five cents, should have been only sixty-eight cents, and that sixty-eight cents was a fair market price. An examination of our purchases from him, at the very time he made that estimate, shows that we were paying him in open market precisely seventy-five cents a pound for the same article which he says was only worth sixty-eight cents a He takes the contracts with our bureau and compares them with what he calls the market prices for which he would furnish the same articles. makes that comparison between our contract price and the market price where his market price is lower than the lowest competitor for the same article; but where he finds an article at one yard bid for at one dollar and twenty-five cents, for example, and at twenty-five cents at another yard, he then abandons his fair market price and takes the lowest price at one yard and compares it with the highest at another, and says that the loss to the government is the difference between the low price at one yard and the high price at another, and not the difference between the high price and the market price. He abandons the market price where it makes against him, and adheres to it where it makes for him.

By Mr. Hale:

Question. In all the examinations you have made of the bids opened on the 22d of February, 1864, amongst the errors and scratches which you have

noticed, have you found anywhere that there is a decimal alteration; for instance, where a bid was originally for thirty cents, and a decimal making it one hundred and thirty—the addition of a figure in the left-hand column, by which the bid is decimally increased?

Answer. I do not discover any such thing. I find several instances where the price in the price column has been increased, but do not find any such altera-

tion as the question would presuppose.

## Testimony of John Lenthall.

APRIL 30, 1864.

JOHN LENTHALL, chief of the Bureau of Construction, sworn and examined.

Questions proposed by request of the Secretary of the Navy:

Question. State how bids are received in your bureau, by whom, and how

kept until opened.

Answer. All come in sealed envelopes. A large portion of them come by mail, and a considerable number are delivered in person; mostly in person on the last day, and the larger number of the bids that come by mail come on the last day. The messenger brings them from the post office and places them in my hands, and I lock them up.

Question. State particularly how and by whom opened, and in whose presence, and whether competitors have a right to inspect the bids while being

opened.

Answer. I open them myself; I break the seals. The chief clerk is present and one of the other clerks. Formerly there was nobody else present; but latterly, within two or three years past, the bidders have been present, quite a number of them on all occasions. That has been since the present administration came in. Bidders, latterly, have occasionally asked to look at a particular bid, and I have then stopped the opening until they looked at it and handed it back.

Question. State whether you have noticed that bidders made memorandums of prices, &c., as they were called off.

Answer. Yes, sir. They have their little books. I have seen them noting

the prices down.

Question. Do bidders sometimes copy entire bids at the time of opening?

Answer. I saw them copying quite lengthy extracts. I do not know whether they took the whole or not, but I saw them copying quite a number of articles, because I had sometimes to wait a few minutes for them to do it.

Question. At the time of opening the bids, have you noticed errors in computations, or figures that appeared to have been altered? Have you noted such

errors at the time, and if so, how?

Answer. They have always come blotted—ever since I have known them to be opened. I notice errors in the simple figures as I read them off, running down the column slowly, and I generally mark them with a pencil, but that is merely to call the attention of the clerks to them when they come to revise them, to prevent them escaping their notice. In simple numbers it is easy to catch the multiplication.

Question. Do not nearly all the bids usually received appear to be scratched

or altered?

Answer. No, sir, I should not think nearly all. There are quite a number, as

I have noticed for the ten or twelve years I have been opening them.

Question. Are these alterations, in your opinion, made by the bidders prior to the bids being forwarded to the department?

Answer. Certainly. I break the seals of the papers myself.

Question. Have you any reason to believe that alterations have been made after the bids have been received, and by persons attached to your bureau?

Answer. No, sir; I have not.

Question. Do you believe it possible for alterations to be made after the bids are received without your knowledge?

Answer. I scarcely think they could be made without my detecting it. I

cannot positively say what might be done, but that is my impressiou.

Question. Were the bids opened in the presence of bidders prior to the commencement of the present administration?

Answer. No, sir.

Question. Did the present Secretary of the Navy give an order to have the openings public, prior to the passage of the present law?

Answer. Yes, sir.

Question. Are the calculations and extensions, made by the bidder, verified by the bureau?

Answer. Yes, sir; the clerks examine them afterwards.

Question. Are all the bids thus verified?

Answer. They are now, within the last two years. We formerly examined the two, three, or four lowest, as might appear to be required.

Question. Was it formerly the custom to verify all the bids received, or only

a few with the lowest apparent aggregate?

Answer. We formerly examined the few of the lowest apparent aggregate.

Question. Who gave the order to verify all the bids?

Answer. I think, probably, the Secretary of the Navy, though I do not dis-

tinctly remember it. I presume such an order would have come from him.

Question. Are you ready to swear that, to the best of your knowledge and belief, having looked into the matter since the question has been started, no alterations of bids have been made in your bureau after they were received from the bidders?

Answer. I think I am, to the best of my knowledge.

By Mr. Hale:

Question. Was the order to permit bidders to be present when the bids were opened made until after you refused to allow them to be present, and they went

to the Secretary of the Navy and got the order?

Answer. Formerly, as I stated, the bids were opened in the presence of but three parties, and I had no authority to admit anybody else. Of course, therefore, I declined to receive parties who made application to be present, and those parties who were strangers to me went to the Secretary, and I received an order to admit them. On former occasions parties had asked occasionally if they could be present, and I told them no, it was not the custom, and I, of course, declined to allow them to be present.

Question. Have you looked at your written answer to Smith Brothers &

Company's pamphlet of late?

Answer. No, sir.

Question. Are you familiar with it?

Answer. I suppose that I am generally. At that time I looked at all the points.

Question. Do you wish to make any modifications of the statements contained

in it?

Answer. No, sir; I am not aware of anything to be altered. I desired to state the facts as I knew them.

Question. Have you any knowledge or belief that any bidder, before his bid was put in, had any knowledge of the bids that were put in prior to him?

Answer. I cannot think it possible.

Testimony of Commodore J. B. Montgomery, United States navy.

APRIL 30, 1864.

Commodore J. B. Montgomery, United States navy, sworn and examined.

Questions proposed by request of the Secretary of the Navy:

Question. State what was the usual course pursued at the Charlestown navy yard of procuring inspections and receipting for articles for use or consumption at that yard whilst under your command. Was an inspector appointed at that yard; if yea, what was his name, his duties, and his office? Were any bills for goods in open purchase, sent by the navy agent to the yard, ever rejected on account of quality, quantity, or price? If so, answer as far as you know.

Answer. The inspection was conducted by the heads of the departments for which the articles were wanted. There was an inspector of timber, and no other general inspector that I know of. Then they were turned over to the different departments or to the storekeeper. Birket, I think, was the name of the inspector at the time. There was a person of that name there, and I think he was the inspector of timber. His duties were to inspect all articles coming within his sphere—timber, I think, it was principally—and to report their quality, quantity, &c., with a view to approval or rejection. These reports were made to the commandant in the printed forms, which they had to fill up, and were approved or rejected, according to the reports. Bills were frequently held back from my approval, and I believe some of them finally rejected, in consequence of being above the market price. They were held back by the person appointed for that purpose, a man by the name of Kimball. If the prices were above the reasonable market price, he would notify the navy agent of it, and they were either rejected finally or taken and corrected before they came to me, because the orders were not to send them to me without his signature, and he would not attach that unless they corresponded with the market Finding when I came there no person to examine the bills, I appointed Mr. Kimball, who was an acting master in the navy, and attached to the yard; to that situation, he being a business man whom I always found capable, and he was continued to his death for that reason. There were a number of bills frequently where the price was high, perhaps to a small or to a large amount, and he detained the bills sometimes a month before they were presented to me. There were some bills rejected and sent back, and in several instances they were altered to conform to the market price, and then they were passed to me, and I approved them. We were very particular in regard to the market prices.

Question. Who objected to the price of goods in open purchase when the

price was thought to be too high?

Answer. They were taken from the storekeeper by Mr. Kimball. The orders passed to his hands with a view to examination, and if the price of any article was too high, he would notify the navy agent of it, and if it was not correct it was rejected and not sent to me at all. I ordered it not to be presented until he could attach his signature.

Question. Did Smith Brothers & Co., or either of their firm, or through their friends, apply to you to have the inspector removed? If yea, state who, when,

where, and how such application was made?

Answer. Repeatedly; it was by Mr. Smith, one of the firm of Smith Brothers & Co., his initials I cannot give, but he was the person who seemed to be the active business member of the firm, and the only member of the firm with whom I had any intercourse while there. He came there repeatedly and impugned the conduct of Mr. Kimball on various occasions, with a view to his removal. He expressed it openly to me that he wanted him removed, as he had no confidence or reliance in him. I was referred, not by Smith, but by some one else,

who sought Kimball's removal, to the agent of a steamship company, I think the Fall River Line, for information respecting Kimball. I wrote to the company to know whether, in the course of its transactions with Kimball, who was employed to engage freight and various matters of that kind for the yard, if there was anything which would impugn his integrity in any degree, and the agent answered no; that his conduct in transacting business with him had always been such as to exempt him from all charges of that kind and then he stated a little incident; that on one occasion Mr. Kimball asked him whether anything was to be made by engaging freight, &c., and he told him no. I sent for Mr. Kimball, and showed him that statement, and he said that he went over by order of my predecessor, Captain Hudson, who had some suspicion of some unfair play on the part of others. This was before Kimball had the inspection of the bills in the yard. He was a man of uncommon business tact, and active and energetic. He said that he was sent over to put the question to the agent by Captain Hudson, with a view of ascertaining, if possible, whether there was unfair play in that matter by anybody. I sent for Mr. Hudson, the chief clerk, the son of Captain Hudson, and he said that he recollected the circumstance perfectly; that he was authorized to put the question to the agent with the view of ascertaining whether there was anything of that kind going on, which seemed to justify Kimball perfectly to my mind, and confirmed the statement of Mr. Kimball, that he was authorized to do this by Captain Hudson, the commandant.

Question. Were charges against the fidelity of the inspector made or preferred to you; and if yea, did you investigate them, and if so, what was the result?

Answer. I suppose that means Mr. Kimball, the inspector of bills. charges brought by Mr. Smith against him were that he was not reliable; that he gave a great deal of unnecessary trouble to the inspectors, and there was also a charge of collusion with one person concerned in a bill. It was charged that in ascertaining the price he received something from him. I cannot state that perfectly, because it was a matter of incidental conversation; but Mr. Smith's object, as he told me.expressly, was to remove Mr. Kimball. tigated the charges. In one case, the case of a man who supplied emery paper, Smith presented notes to me stating that this person had informed him, or his brother, that Kimball had made improper proposals to him in regard to the emery paper. Kimball went up to this man and brought notes completely contradicting the statement of Mr. Smith, showing that nothing of the kind had ever occurred; that he had never told Mr. Smith anything of the sort. notes I kept in my drawer while I was there. The result was that I was satisfied of his integrity, or I would not have kept him a moment. I have seen that gentleman since, in my office, in the Washington navy yard, as he was delivering emery paper at this yard. I mentioned the circumstance, and he said he was the person, and that Kimball had never made any improper proposals to him, and nothing had occurred between them which could attach anything improper to his conduct.

\* Question. When materials were sent to the yard by the navy agent, or work engaged by him for the government, have you ordered inquiry to be made into

such prices; and if yea, what were the results?

Answer. In the case of the iron plating for the Monadnock, one hundred tons of that plating were given to Curtis's iron works, at East Boston, to prepare the plating for the side of the vessel, at six cents a pound. Mr. Kimball came to me after this work was in progress and informed me that there was a man who would do it for four cents a pound, by the name of Sylvester. I was not acquainted with any of these men, but found he could do so. It was reported to the government, and a commission was appointed to investigate the condition of the establishment, and if they were prepared to furnish this work, and make

arrangements to do it. The first board reported unfavorable; that he was not prepared, that he had not the machinery, and that it would take a long time to be in readiness to furnish these plates, &c. I appointed a commission afterwards, other statements being made confirmatory of his ability to perform the work, and they reported favorably. I then made for the remaining 500 tons, I think, to be done, a contract with him. Mr. Alger, and other persons of equal character and means, sent over word to me that they would stand his guarantees for the faithful and timely performance of the work, in any amount, in the amount of \$100,000, if I wished it. I made a contract with him for the remaining 500 tons, which had not been placed in the hands of Curtis, but would otherwise have followed the first 100 tons. He furnished the plates long before they were wanted, and never was a complaint made that I know of. For that transaction we are indebted to Kimball. I take no credit to myself for doing it. I give it to Kimball, who gave me the information and put me in the way of I made the contract with Sylvester, took guarantees in the amount of \$20,000; Mr. Alger headed the securities; and he performed the work long before it was wanted, at four cents a pound, and that was an amount which could be easily calculated; it was a large amount saved on one article. I do not recollect any other instances of inquiries of that kind in regard to the navy agent's purchases. Kimball seemed to be very busy to watch the public interests.

Question. Do you know that there has been any conniving between contractors or their agents, with master-workmen or others, to obtain orders for articles not on contract, or differing in size or dimensions from those under contract, with a view to have them bought in open market?

Answer. I can state no instance. I may have suspicions, but I know no instance of that kind which I can state as a fact. I have no data for a state-

ment of that kind.

Question. Have articles been delivered in excess of contract quantities at high prices, when such excess could have been purchased in open market much cheaper? If yea, who required them, who ordered them, and by whom were

they delivered?

Answer. I believe there were some instances of that kind, but I cannot state them particularly, or to what amount or quantity. I am satisfied that articles in excess of the contract amount were delivered at contract prices; whether at higher prices than could be purchased for in open market I cannot say positively.

Question. Are not bidders in the printed advertisements required to call upon the commandants of yards for a full description, in writing, of articles when they were in doubt as to the precise quantity and quality of articles

named in the schedule?

Answer. That is very frequently done. They call for information, and con-

tracts are furnished us, and they can look at them.

Question. Have you ever examined the schedule for contracts and the quantities delivered under them, to see whether large quantities at the higher prices, and small quantities, or none at all, of the low or nominal prices have been required; and when that has been the case, have you investigated into the causes why the master-workmen scheduled for such quantities and such articles and never required them? And how do you account for such requisitions and such deliveries?

Answer. I have sometimes referred to the schedules. They have been brought to me for the purpose of inquiry into these things, but not very frequently. There has been no great necessity for it. I was a little more than a year at Boston, and these schedules would embrace parts of two years. These schedules have been referred to with the view to ascertain the quantity on

hand. I have done it for my own information when requisitions have come in in several instances; not very frequently.

Question. What is your opinion of the operation of the law and the manner of supplying articles for the navy under it, and what remedies would you sug-

gest to correct abuses?

Answer. I have not reflected much on that subject. I think there is a great deal of abuse in contracts. I think if contracts were always given to persons who were in the business, who properly supplied or usually supplied articles required of them, a great deal of abuse would be prevented. Contracts are given to persons who are not in the business, who have not the articles required. If I had time to reflect upon it, perhaps I might give some views on the subject.

Question. Have not the Bureau of Yards and Docks and the Bureau of Construction directed the commandant to call for all the low-priced or nominal-priced articles on contract when they could be used, and have Smith Brothers & Co. remonstrated against calling for so many low-priced articles, and what has been

the result?

Answer. There has been one or two instances, I think not more than one instance, of an order of that kind being given while I was at Boston. I have had no such order since I came here, but there may have been such orders on the files. I do not know of any remonstrance of Smith Brothers & Co. on that point. They made no remonstrance to me that I recollect.

### Testimony of Matthew II. Merriam.

MAY 2, 1864.

MATTHEW H. MERRIAM sworn and examined.

By Mr. Hale:

Question. What is your official position?

Answer. I am master machinist at the Charlestown navy yard.

Question. State what you know about the purchase of some oil there last

year.

Answer. Nearly a year ago I was called upon by the storekeeper to inspect a quantity of oil delivered by H. D. Stover for sperm oil. I examined the oil and found that it was very highly adulterated, and I rejected it as not according to the contract. My impression is, that the quantity was about two thousand gallons—not far from that. In the course of six weeks or two months after I rejected that oil, a naval engineer was assigned to the head of my department whose duty it became to inspect the oil. Since that time, in obtaining oil from the store, I have received for sperm oil oil of precisely the same character as that which I rejected. The oil was tested by the usual tests of taste and smell, and also by instruments.

Question. Who was the naval engineer who was put in that place?

Answer. Chief Engineer Wm. W. W. Wood, U. S. N.

Question. Do you know anything about files?

Answer. In the fall of the same year that I rejected the oil, (perhaps in August or September, as near as I can remember the time,) I made a requisition for a considerable quantity of files for use in my department. There were sent to me from the store a quantity of files bearing the packages and the files trademarks of Pemberton and Sheffield, which are the trade-marks of the Whipple File Manufacturing Company, and known to the trade as indicative of second or third qualities of their manufacture. I returned those files to the storekeeper, inasmuch as I was not the inspector of them, and had no right to reject them; I sent them back, and informed the storekeeper that I could not use such files. Shortly

after that the commandant of the yard, Commodore J. B. Montgomery, called me to his office and showed me a letter from Mr. Stover complaining of my action in regard to the files which he put in, and asking him to have the matter referred to some competent person. The commandant wanted my explanation of my course, which I gave to him verbally, and he then requested me to make it in writing, which I did. He informed me that my letter, with Stover's, was referred to the engineer. I waited for some little time, and not hearing anything about the files, I again applied to the commandant to know what should be done. Mr. Wood meanwhile had gone to New York on special duty, and he was telegraphed to know if the files were to be accepted. First Assistant Engineer G. V. N. Tower, acting in Mr. Wood's absence, informed

me that a reply had been received that they were to be accepted.

I did not, however, draw the files from the store, but still waited, not knowing what course I ought to pursue. I then made a written application to the commandant to know what I should do for files. The commandant replied to me in writing, that Mr. Wood had examined the files, and they were accepted and must be used. On the receipt of this note from the commandant, I immediately went to his office, and told him that I believed there must be some misapprehension in regard to Mr. Wood's decision relative to the files; that their inferior quality was so apparent that it did not require an expert to discriminate; and by reason of my explanation to him of the facts, he referred me to the engineer. I went to Assistant Engineer Tower, acting for the chief in his absence, and told him that I was sent to him by the commandant to confer with him in regard to the files. We went to the store where the files were, and I called his attention to the defects; showed them to him; explained to him that the trade-marks were those of second and third qualities of the Whipple File Manufacturing Company, which at best were not regarded so good as those required by the contract. He admitted the defects in the files, but said that Mr. Wood had passed them, and he did not want to take back what he had said; that he had got a letter from him, and wanted him to get him (Wood) out of the scrape; that was his remark; and that it would be important to him to be efficient in getting him out of it, inasmuch as it would affect favorably his chances for promotion to chief engineer; and he urged me to receive the files, guaranteeing that all supplies after that should be of good quality. I objected. I was asked to receive a small portion of them, a few dozen. I objected to that. Finally, we separated without coming to any arrangement—any definite disposition of the files—and I waited for some three or four weeks perhaps, when the necessities of my department became so imperative that I wrote a note to the commandant, informing him that unless files were received in the course of that day I should be obliged to suspend 80 men from work. The files were received that day, and the men were kept at work. In going to the store on two or three occasions since then, the same kind of files which I rejected were lying there, but apparently diminishing in size. I did not count them. I have no positive knowledge that any of them have been used. I have not seen any of them about for some months now. None of them were furnished to me, because I make a personal examination of oil, files, iron, and all the articles of consumption which I receive for my department.

The following questions are proposed to Mr. Merriam, by the request of the Navy Department:

Question. What is your occupation, and where employed?

Answer. I am master machinist, employed at the Charlestown navy yard.

Question. Are you a steam engineer, and have you made engines and run them? If so, where and when?

Answer. I have made steam engines, and worked upon them as a journey-man; and I have designed and superintended the construction of steam engines.

I have done it on several occasions—at Newburyport, at Boston, and at Portsmouth, New Hampshire, where I have run engines. I have been engaged in that business for the past twenty years.

Question. Have you examined, inspected, and passed or rejected articles pro-

cured for use in your department?

Answer. I have.

Question. What party or firm has delivered the largest number of articles in your department under contract, and in open purchase?

Answer. That I am unable to say; I have no means of knowing.

Question. What is the relative cost of articles in open purchase and under contract which you have inspected?

Answer. That I am unable to say, because I do not have the contract prices,

unless I learn them accidentally.

Question. Have you rejected any articles on account of high price in open purchase? If yea, by whom delivered?

Answer. I have not, that I recollect.

Question. Are you now, or have you been within the last three years, concerned or connected with any party in carrying on business of any kind outside of the yard? If yea, with whom, what is the business, and where located, and the annual profits returned to the assessor of internal revenue?

Answer. I have a proprietary interest in the manufacture of patent-leather shoe binding, jointly with E. L. Norton. The business is located in Charles-

town. The annual profits I am unable to state.

Question. Have any contractors for articles in your line inquired of you the kind, quality, and quantities of goods you proposed to schedule for, or probably would require in open purchase? If so, who and when?

Answer, I do not remember any such inquiries being made of me.

Question. Have parties or persons inquired if you would not want articles of any kind before you had made requisitions for them?

Answer. I do not recollect any such case.

Question. When inspecting goods, did you see them weighed, counted, or measured?

Answer, Not always.

Question. When you scheduled for articles to be advertised and contracted for, or made requisitions for goods to be bought in open market, did you consult any persons? If so, whom?

Answer. I have not consulted persons in regard to those subjects.

Question. Whose manufacture of files were delivered in the largest quantities under Smith Brothers & Co.'s contract, or by them in open purchase?

Answer. The largest quantities of files received from Smith Brothers were of English manufacturers; the names of the manufacturers I do not now precisely recollect, as they were from several, but most of them known to the trade.

Question. Did you consider them the best quality of files?

Answer. I did.

Question. Are you connected by marriage or otherwise with the navy agent, Mr. Norton, or either of the firm of Smith Brothers & Co., or either of their employés?

Answer. I am not.

Question. Were you informed by any workmen in the navy yard, or did you know of the intention of the men to strike for higher wages? If yea, who spoke

to you on the subject, and what did you advise or say?

Answer. I recollect of only one occasion of that kind, which was a strike among the boiler-makers. Who the parties were that informed me I do not recollect, but those who I learned were the leaders were immediately discharged.

Question. Are you an alderman of the city of Charlestown? If yea, have your

duties as alderman ever called you, or have you been, out in that duty during

working hours in the yard?

Answer. I am an alderman of the city of Charlestown. I think I have been out on two occasions during working hours to attend funerals, and that is all the absence I recollect.

Question. In your official capacity you have been called upon to prepare schedules of articles required in your department of the yard, have you not?

Answer. I have.

Question. Have you ever intimated to any person that certain articles of a class were likely to be required in large quantities, and that other articles of a class would only be required in small quantities?

Answer. I have not.

Question. You are a manufacturer doing business under the firm name of Merriam & Norton, are you not?

Answer. I am.

Question. Who is the purchasing agent of this firm?

Answer. Messrs. Sewell and Withington.

Question. Does that agent purchase most of the articles required for the firm of one person, or does he go into the market and purchase from regular dealers at the lowest market price?

Answer. I believe they purchase very largely from particular individuals, although their practice is to buy the goods wherever they can buy them to the

best advantage.

Question. What proportion of all the open purchases for the Charlestown navy yard, not including ordnance, should you think were made of Smith Brothers? Give a guess, if you cannot hit it very near.

Answer. It is impossible for me to give any sort of opinion, for I have no

means of knowing anything about it.

Question. Is it customary for the large manufacturing establishments that have been so successful in New England to give out the purchase of all kinds of articles required to one firm; or do they, as a general thing, go to regular dealers in each article as they are required?

Answer. I should think they generally applied to regular dealers.

Question. In your opinion, why does the navy agent give so large a number

of open purchases to Smith Brothers?

Answer. I am not aware of the fact that he does or does not give a large portion of the purchases to Smith Brothers, and therefore I can give no opinion as to his reason for doing what the question supposes him to do.

Question. Do you consider this plan of the navy agent at Boston, giving most of the open purchases to Smith Brothers, as the most economical you can

think of for the government?

Answer. Without admitting or denying (from want of knowledge) that there is any such plan, it seems to me that that plan is best which secures the best articles at the lowest price, whether it be of one firm or another.

Question. Smith Brothers have very frequently taken contracts like this: A certain kind of iron.....\$36 per ton. Another kind of iron...... I per ton.

What was the object of such a bid?

Answer. Under the old system of contracts, the object of those bids is very apparent, because a person acquainted with the usual consumption of articles in similar arts would be enabled to judge that more articles of one kind would be required than of other, and in order to obtain a contract in competition with the practices heretofore exercised, it was necessary to make the bids in that way.

Question. It has been found that requisitions from the navy yard were for very large quantities of the iron at \$36 per ton, but no requisitions for that at

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one dollar per ton (\$20 per ton being about the market price.) Can you explain this?

Answer. I cannot. I can only say that requisitions from my department

have been for those articles actually wanted for use.

Question. As you admit that you prepared the schedules of articles wanted, you are certain you never conversed with Mr. Smith so as to indicate to him that iron at \$36 per ton would be required in great quantities, and none at \$1 per ton?

Answer. I am sure that I did not communicate any such information to him. Question. How could Smith Brothers know so invariably, as is shown by their deliveries, that the high-priced articles would be required in large quantities, and the low-priced not at all?

Answer. I do not know, unless from the knowledge which a dealer in such articles would have of the usual wants of the trades, and an examination of the

contracts and supplies as they had been executed heretofore.

Question. Have you written to any senator or member of Congress urging and demanding that the investigation under Colonel Olcott, ordered by the Navy Department, in Boston, should be discontinued? If yea, explain your reasons for such a course.

Answer. I have written to a member of Congress respecting that examination, because I thought I had reason to believe that by it all parties might not be fairly dealt with.

Question. Has any employé in your department who gave evidence to Colonel

Olcott, left the yard? If yea, for what reason.

Answer. One such employé has left the yard; for what reason I do not know.

Question. Have you in any manner done or said anything to discountenance any person in the navy yard from giving any evidence to Colonel Olcott? If yea, what are your reasons for so doing?

Answer. I do not know that I have done anything to discountenance the giving of testimony before him. I very willingly gave my own, and freely im-

parted information to his agents.

Question. Do you know or have you heard of any person outside or inside of the yard having received any fee, or reward, or present, or emolument of any kind, other than his salary, for transacting any business for or with the government?

Answer. I do not.

# Testimony of B. F. Isherwood.

MAY 3, 1864.

B. F. ISHERWOOD, chief of the Bureau of Steam Engineering, sworn and examined.

Questions proposed by request of the Secretary of the Navy:

Question. State how bids are received in your bureau, by whom, and how

kept until opened.

Answer. Since the Bureau of Steam Engineering has been organized there have been but three lettings of contracts. The first was very small, few in number. I do not recollect the date. At the second letting the bids came by mail mostly, and as fast as they came they were sent up into a large safe in the Secretary's office, and there they were locked up and kept until the hour of opening, when they were sent down. In the case of the last letting there were only four or possibly five bids that came by mail, and those came within

the last day or two. All the other bids were delivered in person by the bidders or by their agents at the hour of opening.

Question. State particularly how and by whom opened, and in whose presence; and whether competitors have a right to inspect the bids while being opened.

Answer. They were all opened in the presence of myself, the chief clerk of the bureau, and another clerk from one of the other bureaus. The bidders have in all cases been present that chose to be; there has generally been a room full of them, and they have inspected the bids as they were being opened.

Question. State whether you have noticed that bidders made memorandums of prices, &c., as they were called for. Do bidders sometimes copy entire bids

at the time of opening?

Answer. There are generally four or five, sometimes more, who have their notes and make memoranda. I do not know what memoranda they make, but they make memoranda of whatever they choose that goes on, and I believe that many of them take a memorandum of all the bids.

Question. At the time of opening bids have you noticed errors in computations or figures that appeared to have been altered? Have you noticed such

errors at the time; and if so, how?

Answer. Occasionally I have noticed errors in computation in the bids, but

at the opening we do not carry out multiplications.

Question. Do not nearly all the bids usually received appear to be scratched or altered?

Answer. I cannot say that nearly all do, but a very large number are blotted and scratched when received, possibly a majority.

Question. Are these alterations, in your opinion, made by the bidders prior to

the bids being forwarded to the department?

Answer. Certainly,

Question. Have you any reason to believe that alterations have been made after the bids have been received, and by persons attached to your bureau?

Answer. I have not.

Question. Do you believe it possible for alterations to be made after the bids

are received, without your knowledge?

Answer. There is probably a bare possibility of it, but a very remote improbability. It would be almost impossible for a person to open them, I think—as near an impossibility as a thing could be.

Question. Were the bids opened in the presence of bidders prior to the com-

mencement of the present administration?

Answer. My bureau was not in existence prior to that. All the bids in that bureau since it was organized have been opened in the presence of the bidders.

Question. Did the present Secretary of the Navy give an order to have the openings public prior to the passage of the present law?

Answer. I believe he did. Ever since the organization of my bureau they have always been opened publicly.

Question. Are the calculations and extensions made by the bidders verified

by the bureau?

Answer. At the last letting every bid was verified. At the two previous lettings a large number of the lowest bids were verified, but those which it could be seen at a glance were too high and had no chance in the competition were not verified.

Question. Are all the bids thus verified?

Answer. All at the last letting were verified.

Question. Was it formerly the custom to verify all the bids received, or only . a few with the lowest apparent aggregate?

Answer. At the two first lettings of this bureau a large number of the lowest

bids were taken and verified.

Question. Who gave the order to verify all the bids?

Answer. I never received any such order.

Question. Are you ready to swear that, to the best of your knowledge and belief, having looked into the matter since the question has been started, no alterations of bids have been made in your bureau after they were received from the bidders?

Answer. I am.

By Mr. Hale:

Question. What is the practical construction by your bureau of this clause in the law of March 3, 1863, viz: "No bids for nominal or fictitious prices shall be considered?"

Answer. We consider those nominal or fictitious which immensely differ from the market rates above or below. It is a very difficult question to decide. A price which one man may be able to offer goods at, from some cause or other, may be considerably below the ruling market price, and yet he may be able and willing to sell them at that price to the government or anybody else, so that it becomes very difficult to tell what is a nominal and what is a fictitious price; you can tell it in an extreme case.

Question. Have you ever rejected a bid as being too high?

Answer. I do not think we ever have.

Question. If in bidding for a class a bidder bid for a single article which would come under your definition as either enormously too high or too low, would you reject the whole bid for that class, or only the bid for that particular article?

Answer. No such case has arisen to be acted on thus far; but if the bid was such that the aggregate was much the lowest, I should probably decide for the government interests and take the lowest bid. The difficulty which arises in the practical enforcement of that part of the law is, that there can be no general rule made to determine what is a fictitious or nominal price.

Question. You stated in your answer to the Secretary of the Navy to Smith's pamphlet, that you saw no evidence that the bids had been tampered with. Are

you of that opinion still?

Answer. I am; in the last letting, which was some two months past or so, a good many bids that were placed in my hands at the hour of opening by the bidders themselves, and opened upon the spot, and without the intervention of five minutes, were scratched and blotted.

Question. Was not that since the publication of Smith's pamphlet and your

answer to it?

Answer. I am not certain but that it was a little prior to that.

Question. Is the subject-matter of your answer to the pamphlet familiar to your recollection now?

Answer. I cannot say that it is, but by looking it over I could soon make

(The document is handed to the witness.)

Question. Are there any alterations or additions that you now want to make to that answer?

Answer. No, sir; I think this document embraces all I have to say in regard to that subject.

Question. Can you suggest any alterations in the mode of furnishing sup-

plies which you think would be for the public advantage?

Answer. No further than what I suggested in an answer to a resolution of the House of Representatives which has been printed. I therein suggest what I think would be a better plan. The principal points of it are to divide the articles into classes, as now, put into each class the articles which would properly come from the same dealer, and instead of having a price to each article let the contractor bid a gross sum for the whole class, it being specified that

there shall be so many of this article, so many of that, and so many of the other. Let him bid that he will take a class, say, for the gross sum of \$10,000, and let him be required to furnish all the articles advertised for in that class, neither more nor less, but exactly that amount for exactly that sum. Then I would make it obligatory upon the bidders to deliver their bids either in person or by their agents at the hour of opening, and have none sent through the post office and none deposited. Let them come in and deliver them upon the spot, and have them opened on the spot. Then there would be no computations to be verified. There would be merely a calling off and taking a memorandum of the aggregate sums. That would avoid all possible suspicion of fraud or error, and I know of no objections to such a system.

## Testimony of Rear-Admiral Joseph Smith.

MAY 3, 1864.

Rear-Admiral Joseph Smith recalled and examined.

Questions proposed by request of the Secretary of the Navy:

Question. State how bids are received in your bureau, by whom, and how

kept until opened.

Answer. Bids are received by mail and from the bidders personally, and are indorsed by me on the day they are received on the envelope. They are put into a trunk kept for that purpose, locked, the key put into my private drawer, and the key of that drawer carried in my pocket.

Question. State particularly how and by whom opened and in whose presence, and whether competitors have a right to inspect the bids while being

opened?

Answer. The bids are opened by me, or by the engineer of the bureau when I am called away on any other duty, in the presence of three clerks. One clerk has a prepared scale with all the classes headed with a column for each bidder in which to put down his number and name as the bid is opened. When I open a bid, I hand the envelope to one clerk, who enters upon the envelope the bidder's name, and the class, and the number of the bid. I read the bid over, and the clerk who has the scale before him enters what I read as to the name of the bidder, the number of the class, and the amount of the bid. I then give the bid to the other clerk to enter on the back of the bid the same which is entered on the envelope—the bidder's name, the number of his bid, and the class or classes bid for. I should say, in the first place, though, that these bids as they are taken out of the trunk are assorted according to the different yards; each yard is placed by itself as far as can be ascertained by the indorsement on the envelope. My doors have always been open to everybody to be present at the opening of bids.

Question. State whether you have noticed that bidders made memorandums of prices, &c., as they were called off. Do bidders sometimes copy entire bids

at the time of opening?

Answer. Bidders often make memoranda. In one case Messrs. Smith Brothers & Co. brought on a stenographer, Dr. Stone, who took down every bid and everything that was said and done. I do not know, generally, who takes notes and who does not, but I know that he did it in that case, because he was there and examined all the bids, or at least examined the envelopes.

Question. At the time of opening bids have you noticed errors in computations, or figures that appear to have been altered? Have you noted such

errors at the time; and if so, how?

Answer. I never compute the bids when opened, but have very often noted

changes in the figures—erasures and alterations. Bidders, when they get a scale, commence to make out their prices, and under an advertisement of four weeks may change them very often. Prices vary, and they change the price, retaining, I suppose, the same printed schedule. I have not made any written notice of these alterations at the time of opening, but have noticed that there were alterations.

Question. Do not nearly all the bids usually received appear to be scratched

or altered?

Answer. I think a majority of them are changed and altered.

Question. Are those alterations, in your opinion, made by the bidders prior to the bids being forwarded to the department?

Answer. All of them are, in my opinion, that come to my bureau.

Question. Have you any reason to believe that alterations have been made after the bids have been received, and by persons attached to your bureau?

Answer. I do not believe there has ever been an alteration made by any one

in the bureau. I have no reason to believe so.

Question. Do you believe it possible for alterations to be made after the bids

are received, without your knowledge?

Answer. I think it may be possible, but it is hardly possible to do it without detection, because more than one clerk has to examine the bids. They are examined twice.

Question. Were the bids opened in the presence of bidders prior to the commencement of the present administration?

Answer. In my bureau, always.

Question. Did the present Secretary of the Navy give an order to have the openings public prior to the passage of the present law?

Answer. He never gave me any such order, because I always did it.

Question. Are the calculations and extensions made by the bidders verified by the bureau?

Answer. Always.

Question. Are all the bids thus verified?

Those which on the face of them bear an exorbitant price Answer. Not all. are not closely verified.

Question. Was it formerly the custom to verify all bids received, or only a

few with the lowest apparent aggregate?

Answer. We generally used to verify them.

Question. Who gave the order to verify all the bids?

Answer. I do not know that anybody gave such an order.

Question. Are you ready to swear that, to the best of your knowledge and belief, having looked into the matter since the question has been started, no alterations of bids have been made in your bureau after they were received from the bidders?

Answer. To the best of my knowledge and belief, there has been no such

alteration in my bureau.

## By Mr. Hale:

Question. Are there any alterations in the law, as to furnishing supplies, that you would suggest?

Answer. I could suggest a great many alterations, but it would take me some

time to do it.

Question. What do you think of the suggestion made by Mr. Isherwood, to require bidders to name an aggregate price for a whole class, and then to furnish the specific quantities called for in the class?

Answer. I do not think that the idea would be feasible, for the reason that we have a great many articles that we do not want delivered at once, and it would be difficult to make out bills for different articles without having a specific price stated for each article. For instance, we want supplies that are perishable in the course of the year, but we do not want them all delivered at once, and therefore we should want a price fixed to them. When a man makes a certain delivery, we pay his bill for the amount he delivers with a reservation of 20 per cent.; and on the idea proposed I do not see how we could pay the bills properly.

# Testimony of Josiah Dunham.

MAY 5, 1864.

Josiah Dunham sworn and examined.

Questions proposed by request of the Secretary of the Navy:

Question. Have you seen the pamphlet published by F. W. Smith, reflecting upon the bureaus of the Navy Department for the inefficient and doubtful manner in which the duties of these bureaus have been discharged? Please state

what you know about these matters.

Answer. I have got one pamphlet published by Mr. Smith. I suppose I have not seen the whole, but I have got one. The question is an indefinite one; but I can say, in relation to the statements of bids at the bureaus, that I know nothing about them one way or another. They do not come under any portion of my business. There are many errors in the inferences and conclusions of Mr. Smith, on page 43. On that page he says: "Without special occasion for suspicion, it is apparent that the weights of coal, iron, hemp, &c., in navy yards, should be subject to more responsible supervision than of one individual receiving, say, \$600 per annum." That is not the case in the navy yard at Charlestown. I have a weigher of cordage who, when this book was written, was Mr. Harding. I have weighers of coal and iron, comprising five other different individuals-Mr. Sprague, Mr. Howard, Mr. Baxter, Mr. De Luce, who weighs considerably the most, and one other-who weigh at different times and different articles. The safeguards stated by Mr. Smith would leave the matter wholly and totally to one receiver and one weigher, who are much easier corrupted than five or six are; and from his conclusions, from my practical experience, I entirely dissent. The inspection is not much alluded to in his pamphlet. The best that I have known is the system that is practiced in the yard, and that is, the inspectors are varied; on oil, the engineer; on iron, the man who works it; on all other goods, those that are nearest to, and have relation with, the working of the article; and subject to any changes which the commandant of the yard may make from time to time in all these weighers and all these inspectors. The matter is perfectly under the direction of the commandant of the yard. It has been stated by me to each commandant that I would change and shift the weighers and inspectors as often as he wished, and whenever he desired it, without any official notice, but merely on a verbal notifica-All the commandants have been notified of that from the days of Captain Hudson down to the present time.

Question. How do you account for the manner of making incorrect schedules for articles to be advertised for, at the navy yard at which you are the naval

storekeeper?

Answer. I know of no system that can be got up in a time like the present under which perfect schedules could be made, and the wants of the government anticipated for a year. I know of no mode that could be better than the present; but I have nothing to do with the making up of the schedules.

Question. How do you account for articles being sent to the yard largely

over the amount stipulated in the contract, at the higher prices, and received

and paid for ?

Answer. It was the system when I went there three years ago on the first day of May, and which was afterwards carried out by me until Congress passed the present law, to keep calling on the contractors, whether their quantities had been received or not, according to contract, except as to the contracts of the Bureau of Yards and Docks, where the excess was limited to 25 per cent.; but it was all done under the direction and approval of the commandant of the yard, which I am subject to at all times.

Question. How do you account for the large proportion of goods bought in

open market, by the navy agent, of Smith Brothers & Co.?

Answer. I have no connexion with the navy agent's affairs, and know nothing about his open purchases beyond what information I got as receiver; and I can give no account why he does so.

Question. Have you discovered any bills of that firm at higher than the low-

est market price? If so, state as far as you know.

Answer. I do not remember any since the first year of my office; I think during the first six months of that year I used to notice the bills. Since then there have been other parties to do so, and for the last two years I think there has been a naval officer to examine the open purchase price of goods in the market. Prior to that Commandant Hudson used to send out whom he chose. Therefore the price of goods has never come under me. I give no certificate in any instance of the price of goods; I only receipt for the goods.

Question. How do you verify weights and measures of articles bought and

sent to the yard?

Answer. I have them weighed by different weighers. Oils used to be submitted to a navy officer, and now they are submitted to an engineer, who is the inspector, under the ruling of the commandant of the yard. Formerly I used only to put down what Mr. Merriam and Mr. Spicer would pass as good; and now it is Mr. Sewell, an engineer. They are the parties who sign the number of gallons, not me. The ropewalk oil, which is an inferior article, used to be inspected by Mr. Mahony, the superintendent. I take their certificate as the verification of my own.

Question. Do you not order inspectors of goods to weigh, measure, or count

them when received, before they certify to the bills?

Answer. The inspectors of oils, and nearly every article but coal and iron, are called upon to inspect the quality and examine the contents of the cask and its measurement, &c., and they verify to the fact, and I give my certificate. Coal and iron are weighed on the scales and inspected by the parties using them.

Question. Do you believe or have you any suspicions that any false weights or measures have been certified to? If yea, state all about it, with your reasons.

Answer. I have no reason to believe, nor do I know of any such case.

Question. Do you know or believe that any tampering has been practiced with venders of goods for the yard by any persons employed in the yard? If

yea, state all you know or believe on that subject.

Answer. I do not believe there has been any tampering with any person in the yard by any person outside, nor the reverse. Efforts are made to get contracts, and consequently they come in and examine the goods; but beyond the examination and a fair and honorable competition under the contract system, I know of no tampering, and never heard of any.

Question. Do you think the manner of procuring supplies under the present laws is the best? If not, state what remedies you would recommend and apply

to correct irregularities and abuses.

Answer. The present system of contracts, of delivering the full amount contracted for, if fairly and justly carried out according to law, is, in my judgment,

as good a system as can be devised. The true system of inspection and measurement should be that the goods should be inspected by the parties who use the articles, and in my judgment no permanent inspecting officer or receiver could do the business so well as it is done now by changing the men constantly. By the present law, I think, the commandant is to be satisfied of the quality of the articles, and he can order any new and different inspection at all times and at any time upon all goods delivered at the yard; and the same system that prevails in the Bureaus of Yards and Docks and Equipment and Recruiting should prevail in all the rest of the bureaus of the yard, to wit: the inspecting officer should not be the purchaser, nor have anything to do with purchasing.

By Mr. Hale:

Question. Are not persons proposing to bid under advertisements sent to the yard to ascertain precisely what the article is, when the advertisement is not

very specific?

Answer. Yes, sir; for instance, in regard to stationery and other articles, the advertisement says there are samples at the yard, and they get them there generally. They call for them.

By Mr. Doolittle:

Question. What would be the practical effect of a provision allowing the department to reject any item in a bid if that item was at a certain rate, say 10 per cent. above the real market value of the article?

Answer. I think that in connexion with the present law, limiting the amount

to be received to that actually contracted for, it would be a good plan.

May 5, 1864.

E. L. NORTON recalled and examined.

Quéstions proposed by request of the Secretary of the Navy:

Question. To what party or friend have you given the orders for articles in

open purchases for the navy yard, Charlestown?

Answer. To many different persons: Hemp, to Aaron D. Weld & Son, William Ropes & Co., Mr. Forbes, Mr. Pippey, and others; hardware, small miscellaneous articles of hardware, principally to Smith Brothers & Co., sometimes to Dodge, Gilbert & Co., F. W. Austin, and others; furniture, to Lawrence, Wild & Co., Ware & Co., P. B. Holmes, and others; carpets, curtains, and things of that nature, to Childs, Crosby & Co.; provisions, to Potter, Demond & Co., J. W. Roberts & Co., Hart, Baldwin & Bertune; metals, to the Revere Copper Company, Frazer & Deland, agents of the Taunton Copper Company, Glover & Co., agents of the New Bedford Copper Company, Farren & Follet, F. W. Austin; and many other persons for all classes of articles. Some of the parties were personally friendly, and some, I suppose, were unfriendly.

Question. Are you connected by consanguinity or marriage with any member

of the firm of Smith Brothers & Co.?

Answer. I am not.

Question. Have you always invited competition for the articles in open pur-

chase you have ordered from Smith Brothers & Co.?

Answer. I have always, in general terms. Whenever persons have indicated a desire to offer for particular articles, or it has been intimated to me that persons would like to offer, I have invited them to do so. On all standard articles and articles of considerable importance and value, I have invariably asked prices of different dealers. On miscellaneous requisitions, comprised of many

small articles, I have found it impracticable to do so to the fullest extent. Such articles I have purchased of contractors and regular dealers. In order to show that it is impracticable to price each separate article, I will endeavor to give the committee an idea of a single day's work: I have taken from my records, at random, the business for the 1st day of January, 1864. I have the requisitions with me. That was an ordinary day's work. We have some much larger, and some, of course, much smaller. I find that the articles required on open purchase for that day were more than one hundred, comprising between thirty and forty distinct classes of merchandise, of the value of from perhaps two cents up to \$400 or \$500. To inquire the price of these various articles separately, of three or four different dealers in each, and to compare the quality of the goods that they offered, would take several days, if not weeks, with the force at my command. In addition to this business, we had to pay on that day 267 allotments to 267 different persons, from \$5 and upwards, and several certificates of prize money; receive, enter and deposit money; make returns to the bureaus; to the Secretary a detailed statement, and to the Commissioner of Internal Revenue, besides other ordinary business. I have but five clerks

Question. Have you not ordered from Smith Brothers & Co. goods or materials not in their line of business as hardware merchants? If so, what was the object, and why did you not call on regular dealers in the articles required?

Answer. I have done so occasionally, in consequence of their being contractors, under instructions from the department to apply to contractors in making purchases, and also comparatively unimportant articles included in requisitions for miscellaneous supplies, to avoid the multiplicity of vouchers.

Question. Are Smith Brothers & Co., in Boston, considered first-class import-

ers and dealers in hardware?

Answer. They are. One or both the members of the firm have been engaged in the hardware business for more than twenty years, with unquestioned credit

and reputation.

Question. You were called upon by the commissioner of the naval code for your opinion on the system of purchases. Why did you not reply to the call yourself, as it was your duty as a government officer, and not adopt the pleadings of another?

Answer. I did reply to the inquiries of the commissioner in a communication

of eight pages, a copy of which I now present:

"NAVY AGENT'S OFFICE, "Boston, December 15, 1863.

"SIR: I avail myself of the first convenient opportunity to respond to the

interrogatories contained in your letter of the 19th ultimo.

"I am of the opinion that the system of obtaining materials and supplies for the navy by contract, after public advertisement, with further modifications, should be retained.

"The joint resolution approved March 3, 1863, 'regulating contracts with the Navy Department,' by requiring the delivery of a specified quantity, goes far to obviate the principal objections against the contract system, as it has stood

under former legislation.

"I suggest, however, that the provision requiring contractors to be manufacturers or regular dealers in the articles which they offer to supply, is rendered practically inoperative by the language immediately following, which, I believe, is construed to mean that any person having a license as dealer, either wholesale or retail, may become a contractor. This view obviously defeats the apparent purpose of the law to hold out inducements to bona fide manufacturers and dealers, by protecting them against mere speculators and adventurers.

"A slight amendment making the license an additional, instead of an exclusive,

condition, would give the wholesome provision force.

"If, in addition to this, contracts are limited to articles susceptible of exact description and specification, or conformable to sealed samples, with suitable penalties rigidly enforced for non-fulfilment, it seems to me that the system

offers important advantages to the government.

"There are, however, a variety of articles, the want of which may not be anticipated, as well as deficiencies under contract, which must be obtained by the department directly, or through authorized agents. As it is obviously impracticable for the department to make these purchases direct, it follows that the duty must be intrusted to agents, under such safeguards and checks as may be desired. After careful observation and consideration, I can suggest no important improvement in the present system of making open purchases. Its faults, if faults it has, are those of administration rather than of legislation. As a scheme of purchase I can conceive of none more thoroughly guarded than the present.

"Navy agents are appointed and confirmed by the highest authority; they are required to take an oath and give a heavy bond for the faithful discharge of their duties, and their purchases undergo the scrutiny, first, of an inspector, who is to certify to quality and fairness of price; secondly, of the head of the department in which the articles are to be used, who is to make a like certificate; thirdly, of the commandant of the yard, who is to approve the same; and,

finally, of the chief of the bureau for which the purchase is made.

"If these precautions against excessive prices are not sufficient, I am unable

to suggest any likely to prove more effective.

"No advantage would be gained, that I can perceive, by restricting the fields from which to appoint purchasing agents. Certainly nothing would be gained by confining the appointment to officers of the navy. The duties of their profession do not, it seems to me, afford opportunity for acquiring that practical knowledge of business men and matters which qualify them for the duties of mercantile agents. To purchase goods with success requires in the buyer an acquaintance with business men and the modes of doing business, no less than a knowledge of merchandise and the sources of supply. So far as my observation extends, naval officers do not possess this advantage.

"Furthermore, there is an obvious tendency for officers of the same service to support and defend each other in official transactions, which does not prevail when a civil officer is one of the parties interested. This probably arises from a natural professional pride, but evidently does not conduce to efficiency or

security against fraud.

"I consider that these are decided objections against locating mercantile agencies in navy yards. In addition to the consideration that such location would be apart from the communities and markets with which transactions must take place, it would conduce to intimate relations between the agent and the inspecting and other officers of the yard, and by bringing dealers into frequent contact with clerks and receivers, would afford undesirable opportunities for conference and collusion. There can be no advantage gained by permitting employés to impart verbal information in regard to present or prospective wants of the department. Clear and definite written descriptions of the requirements of the service, served upon the proper agent, not only promote prompt and full compliance, but greatly facilitate investigation by preserving a record of the basis of each transaction.

"Notwithstanding the clear provisions of existing law, a practice prevails to some extent of permitting inspecting officers to make purchases for their respective departments. It not unfrequently happens that the same officer will purchase, inspect, and expend supplies for the service, without the supervision of any other person whatever, and this where an authorized agent has been

appointed to the duty. This practice demolishes at a blow the safeguards set up by the legislation on this subject, and I respectfully suggest that the provisions of the law be made still more stringent, with a view to the suppression of the abuse. The present system of inspection of and accounting for supplies might be rendered more effectual and thorough by the appointment of a commission charged with the examination, at *irregular* intervals, of the amount, quality, and preservation of supplies on hand, and the account of disbursements thereof.

"This commission should consist of practical and competent persons, entirely disconnected with either branch of the naval service, and its personnel be frequently changed. A knowledge of the existence of such a commission might deter employés from many irregular practices, and its reports lead to the correction of abuses. With the view of promoting the object of your inquiries, I have invited suggestions from gentlemen of my acquaintance conversant with the subject, and have received, among others, in relation thereto, a communication from F. W. Smith, esq., a gentleman of high standing and large experience in naval contracts, whose suggestions seem to me to be of weight. I therefore take the liberty of enclosing it herewith for your consideration.

"I am, sir, very respectfully, your obedient servant,

"E. L. NORTON, Navy Agent.

"Hon. C. B. SEDGWICK,

" Commissioner of the Naval Code, Syracuse, New York."

Mr. Smith's communication was submitted to the commissioner because he had had large experience in naval supplies, and I thought some of his suggestions worthy of consideration, and I find that several of them have been adopted by the commissioner in his report.

Question. Have you kept a memorandum or record of all the orders you have given for open purchases, when and to whom and for what given, and of all the offers from parties to whom you have applied for prices, as well as offers

from parties to whom you have not applied?

Answer. I have kept a record of all orders given for open purchases, when and to whom and for what given. Offers, when in writing, have been retained until the approval of the transaction by the department.

Question. Have any of the bills of purchase made by you been objected to; and if so, have they been reduced, and if reduced, have they not been procured

at less price than you certified to be correct as the lowest market price?

Answer. Out of many thousand purchases, a very few have been objected to on account of the prices, most of which were subsequently allowed. In other cases, the parties have either removed their goods or submitted to a reduction, and I recollect but two instances of any importance: one a purchase of canvas of B. Y. Pippey & Co., which was purchased by a sample exhibited at the navy yard. The goods were delivered direct from the manufactory, and proved upon examination to be inferior to the sample. The inspecting officers decided that they would answer their purpose, and that they would receive the goods provided the price was reduced to meet the quality of the goods. The case was made the subject of correspondence with the Bureau of Construction, and was explained in my letter to the bureau of December 30, 1862. The explanation appeared to be entirely satisfactory. The second case is fully explained in my letter to the Bureau of Ordnance under date of September 19, 1863. It referred to a bill for boiler iron and sixteen other articles. I desire to give that communication, as it explains it in fewer words than I can otherwise do:

"NAVY AGENT'S OFFICE,
"Boston, September 19, 1863.

"SIR: The bureau's letter of the 14th instant, requiring an explanation of certain errors alleged to have been committed by this office in purchases upon

requisitions 392, 418, 429, 442, and 446, for which bills were approved by me

for \$2,642 75, and reduced by the seller \$427 42, is received.

"In reply, I have to say that the principal article was for boiler iron. terms of the requisition I considered myself obliged to order the best article, which was done, and the iron was delivered direct from the rolling mill in Pennsylvania at the navy yard, unaccompanied by any description of its quality. A bill was accordingly made and approved, under the impression that it was the best boiler flange iron. Subsequent inspection by the seller proved it to be C, No 1 iron, a somewhat inferior article, but considered by the master machinist suitable for the required purpose. The seller promptly informed me of the error in the description, stating that he had proposed to the ordnance office to reduce the price to meet the quality of the iron. Thus it will be seen that in the absence of any preliminary inspection by me, which is impracticable under existing facilities, I could have no reason to doubt that the iron was of the best quality, for which the price charged, eight and one-fourth cents, was a fair market price. If any error, clerical or other, has been committed in this matter, it was in consequence of the terms of the requisition not stating explicitly that an inferior article would be accepted, while my instructions left me no option but to order an article of the best quality. It is now evident that the reduction of the price was excessive, and was submitted to by the seller upon the representation that five and one-half cents was a quotation obtained by a special messenger from the navy yard. It now appears that the price was obtained from Mr. Henry Ayling, who advertised balance of stock at less than market prices' to close a concern, and who had not a plate of iron answering the description on hand. That the reduced price was not a fair one, I submit in proof a copy of a letter from a highly respectable firm in Pennsylvania. Upon these facts the seller based a claim upon the bureau, a bill for which is also herewith respectfully submitted.

"A voluntary reduction was likewise made upon twenty-five drill braces, because new facilities were discovered for furnishing this article after the bill was made, and not because the original price was not a fair one, or that the

assistant inspector could procure a lower quotation.

"After bills were approved by me, ten casks of five-penny fine finishing nails were exchanged for a common article of the same size, and the price was reduced to meet the quality of the article without notice having been given at this office.

"The copper tacks purchased on requisition 446 were purchased September 1, and were priced nearly two weeks later upon a rapidly declining market, and the difference of two dollars in the lot of fifty pounds was promptly submitted to by the seller. These reductions amount in the aggregate to \$427 42, and are the only ones referred to by the bureau; and I respectfully submit, that the explanation is a complete vindication of the manner in which the business for the Bureau of Ordnance has been performed by this office.

"If upon a bill, \$2,642 75, comprising seventeen different classes of articles, many of which were procured in great haste under statements of the necessity of despatch, the assistant inspector has been able to find plausible objections to but a single item amounting to \$2, I believe the bureau may profitably inquire into the motive for these vexatious representations, and to consider whether the extraordinary course of the assistant inspector of ordnance in making purchases

should receive its further sanction.

"Very respectfully, your obedient servant,

"E. L. NORTON, Navy Agent.

"Commander H. A. WISE,

" Chief of Bureau of Ordnance, Washington, D. C."

Question. Have you ever supplied any chattels of any kind at prices higher than the articles required were offered to you by other parties than those you

bought of? If so, state all about such purchase.

Answer. I have not. I have been informed that Mr. Samuel Oakman makes a statement that he offered pig iron to me for ballast at one price, and that I purchased it of another party at a higher price. I will state how that case stands. I received a requisition from the navy yard for seventy-five tons of iron for ballast. Under instructions from Commandant Hudson, it was customary for me to buy a good quality of iron for ballast with the view that when it was discharged from the vessel it could go into the supply on hand for general purposes, and be available to the government. I was advised to purchase iron similar to that ordinarily used in the yard. Messrs. Smith Brothers & Co. had contracted to furnish a large lot of Thomas pig iron. In discharging a cargo at the yard to fill their contract they had a surplus of about fifty tons. I desired, under the instructions that I had received from the commandant, to procure iron if possible similar to that, as it was used for the manufacture of shot and shell,. and it was necessary to have it of uniform quality. Mr. Oakman offered me a brand of iron with which I was not acquainted, at, I believe, about \$31 or \$31 50 per ton. The price of Thomas iron was about \$37 50 per ton. I requested Smith Brothers & Co. to take enough iron of Oakman to make up the seventy-five tons with what they had in the yard, and to average the price. This was done. Smith Brothers & Co. furnished about fifty tons of their Thomas iron, and they bought about twenty-five tons of Mr. Oakman, and averaged the price, making it, I believe, about \$35 50 per ton. That is the transaction referred to. This amounted to the same thing as it would had I bought the twenty-five tons of Mr. Oakman direct, but by doing so I avoided making two vouchers on one requisition. That was the sole purpose in doing it.

Question. Have you not engaged or attempted to engage work to be done at a much higher price than the yard authorities procured it to be done, at a very

large saving to the government?

Answer. I have not. I presume this question refers to preparing the iron plates for the Monadnock. The facts in that case are these: Some time in the winter of 1862-'63 I received a requisition for preparing, planing, drilling, countersinking, &c., 100 tons of iron plates for that vessel. I applied to the Atlantic Works, and to Harrison Loring, the only experienced iron-clad builders in the vicinity, and received a proposal from each at six cents per pound for doing the work. The Atlantic Works had furnished the iron, and it was upon their wharf; the prices were equal; but for this reason the requisition was given to the Atlantic Works. Subsequently, in the last of February, I received another requisition for preparing 200 tons more for the same vessel. I obtained proposals from Mr. Loring and the Atlantic Works at their former prices. These concerns are well known at the department, and are of the very highest standing in our vicinity in this kind of work. I also received a proposal from Messrs. A. Sylvester & Co. for doing the work at four cents per pound. these parties had had no experience in iron ship-building, and no facilities for doing such work, and as I was informed that the work was of great importance, and that the plates must be prepared in six weeks, I did not feel authorized to award it to them, and therefore I referred the matter to the Bureau of Construction with a statement of the case. The commandant was instructed to investigate the character and ability of the parties, A. Sylvester & Co., to do the work, and a board was appointed by him, consisting of Chief Engineer Lawton, I believe, and Master Machinist Merriam, to examine their premises and report upon their ability to do such work. They reported adversely. Subsequently another board was appointed, who reported favorably, and the work was awarded to them by the commandant. I had nothing to do with it after I turned it over to the bureau. I have been informed that at the same time

seven and a half cents was paid for preparing the iron plating for the Roanoke, at New York, by the department. While the matter was pending another offer to do the work was received by me from McLaughlin & Co., at three and a half cents a pound, and by me submitted to the bureau. McLaughlin & Co. had no experience in this kind of business, but were a larger concern and had greater facilities than Sylvester & Co. Messrs. Sylvester & Co. finished the work in about six months, as appears by the vouchers, instead of six weeks.

Question. Did the inspector, Mr. Kimball, have any agency in these matters

in correcting charges?

Answer. I believe Mr. Kimball was a member of the second board to report on the ability of Sylvester & Co. to do the work. Mr. Kimball claimed to have obtained the reduction on the bill of canvas before referred to, but such is not the fact. The entire matter was arranged between the seller and the master sailmaker, who inspected it.

Question. Did you not protest to the Navy Department against employing an

inspector of prices as supervising your duty in that regard?

Answer. I did not object to an inspector to supervise the prices. That practice has prevailed for many years. I objected to the appointment of an inspector to go into the market in advance of the issuing of requisitions, for reasons stated in my letter to the honorable Secretary of the Navy, dated February 28, 1863, which I will read:

'NAVY AGENCY,
"Boston, February 28, 1863.

"SIR: Requisitions for supplies under the Bureaus of Yards and Docks, Construction, and Equipment and Recruiting, have recently been received at this office, with various memoranda indorsed upon the backs thereof, indicating persons and firms, with prices of the several articles named in the requisitions. As this is a new feature of these documents, I have made inquiry of the commandant of the Boston yard as to its purpose, and have been informed by him that this is done in pursuance of orders from the chiefs of the different bureaus to send the special inspector to two parties dealing in the article required, besides the contractor, and inquire the prices of the articles delivered at the yard, and note on the back of the requisitions the prices asked for each class, and then

send the requisitions to the navy agent.

"I desire to respectfully remonstrate against the execution of this order because, in the first place, it appears to be a reflection upon my official character, implying that I am either incompetent for the duties devolving upon me as the agent of the department, or too dishonest to be intrusted with their discharge. If there were ground for either of these accusations, it would certainly be due to the department, as well as to myself, that the charges be formally made with a view to a thorough investigation; but, in the absence of any such charges, I have a right to assume that, in the opinion of the department, no ground exists. upon which to found them. Yet the execution of this order says, as plainly as an act can, to the public, to my associates in office, to every merchant under whose notice its execution falls, that the department has no confidence in its duly appointed legal agent. While a disclaimer of implied censure from the department must afford satisfaction, yet, as such denial could come to the notice of but few of the persons possessed of the knowledge of the order, I must still suffer the public reproach, and present myself to every merchant with whom I have dealings as an official branded with the disapprobation of his superiors. But aside from all considerations of a personal character, I desire to view the subject as a matter of business policy.

"By the regulations and former practice of the department, open purchases were subjected to the scrutiny of a corps of receiving and inspecting officers, consisting of the naval storekeeper, the civil engineer, the master-workmen of

the several departments, and the commandant of the yard, all of whom were to certify to the quality and fairness of price of the supplies coming into their respective departments, and most of whom have special qualifications for a correct judgment of the material which they are themselves to use, and be responsible for the result. But now, by this new plan, there is practically substituted for this inspection the decision of one man on every variety of merchandise purchased; for while I do not understand that the former regulations are rescinded in terms, yet as the decision of this special inspector is prior and conclusive, it follows that any subsequent inspection will be merely formal.

"As a means of preventing fraud and corruption, the new system is as much

inferior to the old as one man is easier to be corrupted than ten.

"But one of the gravest objections to the practice is that an officer is directed to go into the market and give notice to such persons as he chooses that the department will purchase, within a few days, certain articles, thus giving the preferred parties an opportunity to forestall the department on all those articles which are limited in supply. I assert that if this practice had prevailed during the past year, many thousands of dollars would have been lost to the government. And by this practice, too, unless the navy agent is willing to become the subordinate of this inspector, blindly following his lead not only as to prices, but also the quality of the goods purchased, there must continually arise disagreements between the price paid and the price recorded, calling, in the first place, for needless explanations, and remaining finally, whatever may be the merits of the case, as a record against the agent and the department.

"For the reasons stated, therefore, I most earnestly remonstrate against this order: first, that it is an undeserved censure upon me as the agent of the department, founded upon no act or omission of mine; second, that it is unnecessary, substituting an inferior and unsafe inspection for the intelligent and thorough one heretofore practiced; third, that it opens a door for forestalling the government in many important purchases, which must result in great loss; and, finally, that it practically places a person unknown to the law in the place of the navy agent to exercise his functions, without at the same time being sub-

ject to the liabilities and obligations upon the regularly constituted agent.

"Very respectfully, your obedient servant,

"E. L. NORTON, Navy Agent.

"Hon. GIDEON WELLES,

" Secretary of the Navy, Washington, D. C."

I understand this new order in regard to the inspector was a circular order which was to apply to all the yards. It failed to be executed at the Charlestown yard, because the inspector found it physically impossible to price more than a small portion of the articles and indorse the price upon the requisitions according to the terms of the order. At the Portsmouth yard I understand that a Mr. Spalding was appointed inspector. He was a contractor or furnisher of iron for the navy yard, and consequently had the advantage of pricing his own sales. At the New York yard I believe no attempt was made to execute it. I know nothing of the other yards.

Question. Are you connected with any party or firm, or on your own account, in carrying on business outside of your government official duties? If yea, state what business, where it is located, and the amount of purchases and sales

thereof.

The witness. I desire to ask, Mr. Chairman, if this question has any pertinency to this inquiry?

Mr. Hale. I do not think it has, but perhaps you had better answer.

Answer. Whilst I deny the right of this committee, or of the Secretary of the Navy, or of any other person, to inquire into my private affairs and business, I shall fully and freely answer this question, because I have no objection

to the facts all appearing. In order to a full understanding of the case, I will say that I am the inventor of a patent shoe-binding, and that the patent right for that article is owned by Francis M. Johnson, the president of the Mount Wollaston Bank, Quincy, Massachusetts, by Matthew H. Merriam, and by myself, in the proportion of five-twelfths to Mr. Johnson, three-twelfths to Mr. Merriam, and four-twelfths to myself. Mr. Merriam and myself have a perpetual and exclusive license from Mr. Johnson to manufacture the article. The business is carried on in Charlestown, Massachusetts, by agents employed by Mr. Merriam and myself, and does not require, nor does it receive, any personal attention from us. I believe that the sales amount to from \$80,000 to \$100,000 per annum, and that the purchases amount to about \$10,000 less.

Question Do you know Mr. Merriam, master machinist at the Boston navy yard? Is he connected with you in any way by marriage? If so, how? Is he concerned with you, or, as you believe, with any other party, in any kind of business outside of the yard; and if so, what is the connexion, and what is his

interest in the concern, and what his profits or compensation?

Answer. I know Matthew H. Merriam, the master machinist at the Boston navy yard. He is the person before referred to. He is not related to me either by blood or by marriage. His profits I do not know precisely, but I believe that this year they will be about \$5,000 from this private business, to which, as I said before, he gives no personal attention, and, I believe, has not spent six hours in relation thereto for the last three years.

Question. Have you ever had any communication, verbal or otherwise, with Smith Brothers & Co., or either member of the firm, on the subject of supplies? If yea, state when, where, and what was the nature of such communications,

and the special or general matters discussed?

Answer. Many times since I have been navy agent, about almost everything connected with supplies for the government, the state of the market, the prices and qualities of merchandise, and the laws in relation thereto, and the system generally. These conversations have been in a variety of places; sometimes at my office, sometimes at their office or store.

Question. Have you ever received, or had a promise of receiving, any profits, commissions, compensation, or reward from any party, directly or indirectly, from

whom you have ordered or obtained supplies, or through their agencies?

Answer. I have never received any profits, commissions, compensation, or reward from any party, directly or indirectly, from whom I have obtained supplies, or through their agencies. I have never received a promise of such profits, commissions, or reward, except that occasionally parties with whom I had little or no acquaintance, when offerers of goods, would propose to allow commissions for the sale, which I have invariably refused.

Question. Have you refused or demurred to pay bills for goods over and above the contract quantity to some party, and paid bills under similar circum-

stances to another or other parties?

Answer. I have not. I have seen the testimony of Matthias Ellis before this committee, wherein he states that several casks of nails were required at open purchase on the same day that he filled out his contract for nails, and that he was not applied to for a price, but they were given to Smith Brothers & Co., at the market price and a commission over the market price. I find, by examining the papers in my office, that a requisition was drawn upon Matthias Ellis for a number of casks of nails, I believe twenty-one casks. That requisition was drawn upon Matthias Ellis, as contractor, and was transmitted by me to him, as was my simple duty to do. I never heard anything more from it until I saw this testimony; but I find that on September 19, 1863, Matthias Ellis sent a bill to my office for twenty-one casks of nails, of various sizes, at five cents per pound. These were the last nails, I believe, required of him on contract, or furnished by him. I had no open-purchase requisition with which to

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check or compare this bill, consequently could do nothing in regard to it. No nails were required on that day, or any near day thereto, at open purchase; but I find that on the 28th day of September, 1863, Smith Brothers & Co. furnished five hundred pounds of nails at four and three-fourths cents per pound. That is all that I know in relation to the matter.

Question. Have you ever referred or recommended any contractor or supplier of chattels to the government, to any commission merchant, broker, or other party to make an advance on the bills until you should receive funds for the

purpose?

Answer. I have not.

Question. Are you concerned in the house of Smith Brothers & Co., as silent partner, or in any other manner. Have you received, or have you the promise of, or do you expect to receive from that firm, or either member of it, any compensa-

tion, or any proportion of the profits of their business?

Answer. I am not connected with the house of Smith Brothers & Co. in any manner, or with any other house furnishing supplies to the government. I have not received, nor have I the promise or expectation of receiving from that firm, or any other firm, any compensation or proportion of the profits of their business.

### Testimony of Franklin W. Smith.

MAY 5, 1864.

Franklin W. Smith recalled and examined.

Questions proposed by request of the Secretary of the Navy:

Question. Have you during the last three years obtained many orders from the navy agent for goods in open purchase?

Answer. Yes.

Question. Have you charged the lowest market cash price for such articles as

you have supplied?

Answer. There has rarely been a market cash price for sales to government upon navy requisitions since this war began, except in cases of special agree-When United States six per cent. stocks were taken by the banks from ninety cents to the dollar and upwards, when we, upon making sales to the navy agent, could not calculate payment as to be in one month or six months, or perhaps were to be obliged to take certificates worth ninety-six to ninety-eight, we could not sell merchandise at the market cash price on change. Government time has been a matter of calculation in the case, especially at the outset, when Boston banks would not receive navy vouchers as collateral. Again, to market cash price was to be added the expense of freight and carting. The Revere Copper Company, and other houses in Boston, have made a large allowance for these items in giving quotations to government for copper, &c. Therefore our prices have been fair market prices, with fair additions for these items. It would be a risk to certify that prices for hundreds or thousands of articles were always the lowest market price. Indeed, it is doubtful whether there can be strictly lowest market prices upon assorted merchandise.

Question. How did you obtain the orders for open purchase?

Answer. First, by soliciting them from the navy agent; second, by claiming them fairly as contractors, all other considerations being equal; third, by bids upon public advertisement, through which we have obtained a large amount of business, especially of sales of pig iron; fourth, by close competition in prices; fifth, by vigilant attention to the wants of the yard; sixth, by making the business of naval supplies a specialty; seventh, we would claim modestly through honesty, industry, and energy.

Question. Did you ever have any conversation with the navy agent, verbalor

in writing, in regard to obtaining from him orders for merchandise in open market, or did any other person at your instance, or with your knowledge and consent, do so? If so, state the circumstances—when, where, and the subject-mat-

ter and result of such communications.

Answer. Yes; the first conversation with the navy agent concerning his orders for merchandise occurred in the hall of the Parker House, where I introduced myself to him the first time I ever saw him. I stated to him that I was desirous of introducing myself to him with sufficient indorsements and recommendations to obtain some of the business of the navy agency. He invited me to join a company of gentlemen who were to dine that day at the Parker House as usual. On the 29th of April following, I addressed to Mr. Norton a letter, a certified copy of which I beg leave to place on evidence. It is from page one of the navy letter copy-book of Smith Brothers & Company.

Copy of letter of Franklin W. Smith, April 29, 1861, to Hon. E. L. Norton, navy agent—(from letter book of Smith Brothers & Company, page 1.)

Boston, April 29, 1861.

Sir: I was not a little embarrassed Saturday at finding myself your guest immediately upon introduction, on account of the absence of Mr. Hall and Dr.

Stone. Please accept my sincere thanks for your courtesy.

I avail myself of this opportunity to place with you a few indorsements of the aquaintance. The letter from Mr. Burlingame was asked a few days since in anticipation of his departure for Europe. It has seemed to me useless to add others from our congressional delegation, which can be readily obtained.

Similar vouchers can be had for the asking from Hon. B. C. Clark,\* Messrs. E. S. Tobey† and Charles H. Parker,‡ who are my friends, both socially and

politically, or from other merchants not of our party.

In 1856, when with Dr. Stone at Saratoga, I received the first intimation of my appointment to the presidency of Ward XI Frémont Club, by the news-slip enclosed. During that campaign I worked laboriously for our cause, a service I could not render at the late election for fear of pulmonary injury.

Without dispute our firm is the republican hardware firm of the city. Members of our trade have repeatedly congratulated us upon the advantages due from

our political position.

As you would rightfully expect information as to our business standing, before conference with us, as suggested, I will confidentially add that my brother (senior) and myself have been in the hardware trade in Boston during twenty years; that now we are conducting a larger business and have stronger financial credit than ever before; that we never asked a day's accommodation upon our note, and never paid ten dollars extra interest.

The enclosed circular will inform you of our succession to the old firm of Homes, Homer & Co., (established sixty ago,) by the purchase of their stock.

This amounted to above \$40,000, and was bought upon our own credit without indorsement or security.

I remain yours, most respectfully,

FRANKLIN W. SMITH.

Hon. E. L. NORTON, Navy Agent.

Attest. True copy.

EDWARD J. COFFIN.

Then president of the Board of Trade.

<sup>\*</sup>Hon. B. C. Clark, an eminent merchant, since deceased.

Partner in the firm of A. & A. Lawrence & Co.

The list of officers was enclosed to show that it comprised the most eminent citizens of the ward.

<sup>||</sup> Our notes from one to three years' time.

Copy of extract from letter to Hon. E. L. Norton, April 30, 1861, (letter book, page 3.)

DEAR SIR: I write because I do not like to trouble you frequently at your office.

The navy proposals are published to-day, quite to my surprise.

Have you schedules for "Boston" classes 1, 7, 8, 11, 12, 13, 14, 15, 16, 17, 23, 25, 26? If so, please favor me by bearer with duplicate sets, or as soon as received.

Attest. True copy.

#### EDWARD J. COFFIN.

Afterwards I asked of him an interview at his office, which was granted. I then solicited of him some of his orders for goods, using as arguments, that our house was a first-class house of established reputation and unimpaired credit in the city; that my brother and myself had been in business for about twenty years; that I could refer him to the most prominent men of the city for my character as to capacity and integrity; that I had a letter from the Honorable Alexander H. Rice to this effect; that I would refer him to the mayors of the city for the past ten years; to such merchants as Mr. Charles H. Parker, of A. & A. Lawrence & Co., and Mr. James M. Beebe, of James M. Beebe & Co.; Mr. E. S. Tobey, the president of the Board of Trade; the Honorable Jacob Sleeper, of the governor's council; Mr. J. M. S. Williams, of the firm of Gliddon & Williams; to the Granite Bank; the mercantile agencies; or any of the hardware firms in the city. I argued that, upon inquiry, he would find that my position had been one of respectability and influence; that as president of the Boston Young Men's Christian Association, I had, through various plans devised, succeeded, in one year, in placing \$16,000 or \$17,000 to a permanent fund of which Mr. James M. Beebe, Honorable Jacob Sleeper, Honorable B. C. Clark, and my father, were trustees; and by such arguments, during about an hour or more, I endeavored to influence his mind to consider our house favorably for His answer to me was, that I must obtain some contracts, government business. as contractors had the first claim, all other things being equal. I requested other persons also to ask of Mr. Norton the same favors. I recall Charles B. Hall, esq., cashier of the National Bank, and Dr. J. W. Stone. Within a few days I wrote Mr. Norton a note, a copy of which is in the letter-book of Smith Brothers & Co., in Boston, asking copies of the schedules, that we might bid for contracts, as follows.\* I am not able to answer as to the interviews of Mr. Hall, Doctor Stone, or others.

Question. Are you, or is any member of your present or late firm of Smith Brothers & Co., connected with the navy agent by consanguinity or marriage? If so, state what the relation is.

Answer. No; not the remotest relation to one of the firm or to any one em-

ployed by us in Boston or New York.

Question. Have your bills for chattels delivered at the Boston yard by order of the navy agent ever been objected to on account of price? If so, have they ever been reduced in price? If so, by whom reduced, and how much reduced?

Answer. Occasionally; but very rarely, indeed. I should say not more than twenty-five or fifty items out of very many. Once in a while there has been started a sudden demonstration in the matter; but in three-fourths of the cases, at least, our invoices were so fully vindicated by the explanations that objections were withdrawn. In the Ordnance Department, wherein for above two

<sup>\*</sup> See 2d copy of Smith Brothers & Co., before.

years we did a large amount of business with Captain Green and his successor, Commodore Missroon, apparently to their entire satisfaction, it was very rarely that our prices were objected to. Indeed, I cannot recollect discounts made by us to the amount of \$100 in the aggregate, down to October, 1863, when a question arose upon the price of boiler plate. We argued that the position of the bureau was untenable, which was finally demonstrated. We printed the correspondence, and I beg leave to submit to the committee copies herewith.

# Correspondence with the Chief of the Bureau of Ordnance.

Boston, October 2, 1863.

SIR: We have before us copy of extract from your reply of September 21, to the letter of the navy agent of September 19-returning, not approved, our bill for \$81 83, amount of our claim as an additional price upon our bill of September 10, 1863.

In our letter to the navy agent, of September 17, we remarked as follows:

"We made our price at five and three-fourths cents for C No. 1 iron, upon a representation that the inspector could buy it at five and a half cents. We discredited the quotation at the time, and have since ascertained that it is wholly inapplicable to the item in question, and was obtained from Mr. Henry Ayling, who advertises balance of a stock at less than market prices."

(Mr. Ayling could not furnish any plates such as wanted.)

"The iron we furnished cost us more than five and three-fourths cents. It cannot be bought to-day of the manufacturers for less than six and one-fourth cents."

(Evidence of this was placed with the bureau by letter of Messrs. Pennock.) "Inasmuch, therefore, as the deduction was made upon representation as to market price, since proved to have no reference to the case in question, we claim as our due one-half cent per pound on 16,366 pounds iron, \$81 83."

To this just claim the bureau replies as follows:

"The bureau is at a loss to see, under the circumstances, and in consideration of the price named in the letter referred to, why the Messrs. Smith Brothers & Co. charged the first exorbitant price of eight and one-fourth cents."

To this we reply:

First. The remark has no reference to the adjustment of the claim above mentioned; for if the charge of eight and one-quarter cents had been wrongfully made, and had been corrected, it is not the prerogative of the bureau to consider said wrongful act as holding any relation to another distinct claim submitted to its judgment.

Second. We have pleasure to remark that a full explanation is on record with the bureau, that said overcharge was a mistake, and that the representative of the bureau, in the original transaction, admitted his belief that no wrong

was intended.\*

The bureau further replies: "That as by the New York Price Current of to-

navy agent, was substantially as follows:

"From the time the plate iron for ordnance was ordered we were constantly receiving

flange iron from the same parties for other departments.
"Nineteen-twentieths of the large quantity of plate iron we have delveired to the govern-

ment have been flange iron.

"In the absence of the writer, who conducts entirely the iron business of our firm, the iron for ordnance was invoiced at 8½ cents, upon the supposition that it was of the same quality

as other in the shipment, and as the large quantities previously delivered.

"Subsebuently, among vouchers at the Ordnance office, a set was observed by the writer which included the iron above mentioned. He was not until then aware that it had been invoiced Instantly it was stated that the iron was priced as best flange, the above explanation being made: and notice of the mistake being also given at once to the news agent?" being made; and notice of the mistake being also given at once to the navy agent.

<sup>\*</sup>The explanation of this mistake from S. B. & Co., as placed with the bureau by the

day, the best English flange boiler iron is quoted at 5½ cents, the bill for the difference in price cannot be approved, but still should be reduced one-half a cent a pound."

To this we reply:

First. That slight inquiry by the bureau in the markets will show that the mercantile community by no means accepts a printed price current as an arbiter of the values of their merchandise. It is never accepted as an appeal, but as a reference—as an approximation. We assert confidentially that not a copy of an extended price current can be found in which articles are not misquoted through misprint, error in description, or failure to correct by changes in the market; and which, also, articles are quoted not to be obtained at all in quantities required.

In the New York Price Current of September 26, before us, refined English bar iron is quoted at \$80 per ton. We have paid \$87 50 to \$90 for the same for months past. The uncertainty of prices current as conclusive authority for the decision of market values is specially apparent from the well-known fact that quotations therein, being furnished by dealers in the respective articles, are frequently influenced by the interests of said dealers, as speculators, buyers or

sellers.

Second. The iron wanted for ordnance could not be found in this country of English flange iron. We sent this forenoon to the leading iron house in this city for a price to this article. The reply was, "not enough in the market for a quotation."

Third. The iron we furnished, not English flange, but Pennock American C No. 1, of superior quality of that grade, as can be proved, was cut to dimen-

sion, and delivered from Pennsylvania into the Charlestown yard.

We never heard of Messrs. Pennock until requested to order their iron, as it

had been found best among four or five brands.

It is surprising to us that the bureau, ignoring the statement of a respectbale iron manufacturing firm, as to the market price of its own productions, of which it is the only judge, should substitute instead an irresponsible printed quotation for another article.

We cannot but believe that the bureau will, upon consideration, admit that

it has refused a just claim upon irrelevant and insufficient grounds.

We trust it will not be found less eager than ourselves to adjust a mistake occurring without fault to any party.

We remain, your most obedient servants,

SMITH BROS. & CO.

The CHIEF OF THE BUREAU OF ORDNANCE,

Washington, D. C.

Boston, October 27, 1863.

SIR: We addressed the bureau under date of the second of October, in reply to its decision: "That, as by the New York Price Current, the best English flange iron is quoted at five and one-quarter cents, the bill for the difference in price (presented by us) cannot be approved, but should still be reduced one-half a cent per pound."

To this communication we have had no reply, and would respectfully inquire whether it was received. We presume it escaped the attention of the bureau,

through pressure of business.

We would by no means have it inferred that we extend this correspondence merely for the sake of the amount in question.

But the bureau may not have considered that, by the decision above quoted,

an imputation is made of wrong on our part; the more discreditable, and even audacious, if, in face of an overcharge, a claim is filed for further allowance.

We believe we have conclusively shown, in our letter above mentioned, that not only was this charge against us unwarranted, but that our claim for additional price was just.

We therefore solicit the early attention of the bureau to our reply.

Doubtless it will respect our watchfulness of a record against our honor as merchants. We venture to believe that our character is our best estate; and with this estimate upon it, would hold it as free from reproach in small as in large transactions.

We remain your most obedient servants,

SMITH BROTHERS & CO.

Captain H. A. WISE, Chief of the Bureau of Ordnance.

Bureau of Ordnance, Navy Department,

Washington City, October 29, 1863.

SIRS: Your letter of the 27th instant has just been received, as was also your

letter of October 2.

As the bureau has had no communication with you on the subject you refer to, (the letter you answered having been written to the navy agent at Boston,) it accounts for its not replying to your letter of the 2d instant, as it supposed the whole matter would have been settled by him. As the case stands, it

appears to be a very plain one, viz:

An inferior article of iron was furnished, and charged at eight and a quarter cents per pound, to which price the inspector of ordnance objected, and it was reduced by you to five and three-quarters cents per pound. Another bill was then presented (for which the bureau refuses to pay) for the difference between 5\frac{3}{4} and 6\frac{1}{4} cents per pound, the latter price being obtained by you from Messrs. C. E. Pennock & Co., iron manufacturers, on the ground that they were not willing to furnish that quality of iron at a lower rate.

With reference to the price as named by this party, the bureau has nothing whatever to do, and takes the price as quoted in the Price Current of the date the iron was furnished as a guide, in which the best English flange boiler iron

was quoted at five and a quarter cents per pound.

With regard to any imputation being cast on your character as merchants, the bureau desires to inform you that it knows no parties in the matter whatever, except the inspector of ordnance and the navy agent at Boston.

I am, sirs, your obedient servant,

H. A. WISE, Chief of Bureau ad interim.

Messrs. Smith Brothers & Co., Iron Merchants, Boston, Massachusetts.

Boston, November 5, 1863.

SIR: We have your letter of the 29th ultimo. Inasmuch as our letter of October 2 set forth, as we believed, cogent reasons for a reconsideration of a decision of the bureau affecting our good name as merchants, we expected a reply, without special request therefor, by ours of the 27th ultimo.

In restating the case in question, you say "that an inferior article of iron was

In restating the case in question, you say "that an interior article of fron was furnished at eight and one quarter cents per pound, to which price the inspector

objected, and it was reduced to five and three quarters cents."

We have previously complained of this style of allusion to the error by which the price was first made eight and a quarter cents, not only as unfair, but as irrelevant to the question now in abeyance. It is manifestly unjust to us thus to record a partial statement, apparently prejudicial to us because partial, when the bureau has evidence that the overcharge was by a natural mistake, of which we were the first to give notice. In our judgment, this would not occur without special animus. The writer is not at a loss to account for it, having been requested (not for our vindication) to make a detailed statement of the circumstances attending the mistake above mentioned, with reference to a controversy between officers of the department.

You state that our claim for additional allowance of one-half cent per pound "was made on the ground that Messrs. Pennock were not willing to furnish the iron at less than six and a quarter cents." The correct statement of the ground of our claim has been clearly given, viz: that we were misled into the insufficient price of five and three quarters cents by the erroneous information of the inspector that the iron could be bought for five and a half cents. We gave the letter of Messrs. Pennock merely as a proof of the fair market value, and to show that the bureau claimed we should receive much less than the manufac-

turer's prices.

We are exceedingly surprised that the bureau reasserts its decision that the price for American iron, made to dimension, delivered in the Charlestown yard, is to be established by a subsequent quotation of an irresponsible Price Current,

for English iron, assorted sizes, at New York, in store, or ex-ship.

If the principle is correct for one purchase, it is for all others. We wish the bureau would test its practical value by the attempt to buy merchandise upon the condition that the price to be approved must agree with that of a printed price current of a subsequent date. Experience would soon bring the bureau to the conclusion that it had not a safe criterion. We assert the decision to be extraordinary. It has excited only astonishment in the minds of merchants to whom it has been communicated.

We shall make no further application for the amount of \$83 13, which is justly our due. It has not been for the money we have given ourselves the trouble. We have been unwilling to rest our demand without placing on record our view of the unprecedented decision of the bureau, that from a Price Current it finds evidence that our price should be reduced one-half a cent per pound, when we have proof that not a pound of such iron as we furnished could be bought in the country by bureau, navy agent, or merchant, less than six and a half cents, and that the price upon our bill (five and three-quarter cents) netted us an actual loss.

We regard the following as the most significant remark of the bureau:

"With regard to any imputation being cast upon your character as merchants, the bureau desires to inform you that it knows no parties whatever in the matter

except the inspector of ordnance and the navy agent at Boston."

When the bureau asserted in its reply to the navy agent, substantially, that we had claimed an additional allowance in face of an overcharge, it did us injustice at which we were aggrieved. Self-respect demanded vindication at our hands. We addressed ourselves respectfully to the bureau, but had no reply "because the bureau had had no communication with us" on the subject. Our second letter obtained recognition by reply, which informed us that the bureau "knew no parties whatever in the matter" except the officers with whom, we say, it had placed its injustice on record.

We claim the right to be known, heard, and considered in the case, and in defence of a principle most important to the mercantile community. When a bureau deems it its duty to communicate to officers of the department a statement so disparaging to parties concerned as the above, are the parties to be

barred by official seclusion from a direct hearing at the source where the charge

had its origin?

If the nature of official correspondence is such as to place it beyond the scrutiny of merchants, when their transactions are called in question, and their good names impugned, and they are denied full, formal hearing and reply, then

the prerogatives of office are to be perverted to gross injustice.

Then it will only remain for merchants, who value their good name and honor above gold, to avoid all dealings with government and government officers, and leave the business of the nation to those who have nothing of honor, reputation, and self-respect to defend. Even now many mercantile houses seek no direct dealings with government, because unwilling to commit their interests to the decision of men whose vocations have necessarily left them untrained in the usages of the mercantile world—usages which often constitute its law as well before courts as in private. This reluctance will soon become universal, when such a position as that assumed by the bureau shall be adopted by the department for its government in transactions with merchants.

They will not add this embarrassment to their ordinary fear that questions and difficulties will arise between officers inexperienced in mercantile affairs that are wholly unknown among merchants. In the dread of such experience may be seen the explanation why we have so frequently been able to offer to government large quantities of iron and other materials at lowest rates, and why so frequently there are but few bids. Houses in Boston and New York have repeatedly preferred to place their merchandise with us, allowing a commission, than to take themselves the risk of their claims through the tedious and uncertain routine of government offices, to which may be added exposure to personal

discourtesy and neglect.

Our own experience has thrice been illustrative, in different bureaus, of this

latter contingency.

Some eight months after our first transactions with the Navy Department, a chief of a bureau charged us, in official correspondence, with "defrauding," "palpable neglect of duty," "abuse of confidence of the government," and, therefore, of being "unworthy of the privilege of competing either for contracts or open purchases."

All this at the first discovery of discrepancies in certain vouchers, the fault for which, to use his own language in subsequent apology, was with "the copyist in the navy store, who carelessly overlooked" the schedule, and called "things

by their wrong names."

Fortunately we obtained a copy of the official denunciation, and addressed the bureau, requesting "that correction should be made with those parties, either few or many, to whom our character had been wrongfully traduced." We are most happy to record that our request was fully complied with, and, in the lengthy and pleasant correspondence which ensued, the hasty language was so courteously revoked as to re-establish and confirm our respect for the writer.

But the appropriateness of this illustration to this correspondence is this: We were not told by this experienced chief "that the bureau desires to inform you that it knew no parties whatever in the matter" except the government offi-

cer whom he addressed.

In the course of our reply we remarked that, "while the interests of the government should be carefully defended, the character of merchants should

not be rashly assailed."

The amount of our claim debated by this with the Bureau of Ordnance is inconsiderable. But about a year ago our claims for between \$30,000 and \$40,000 were suspended for months by a peremptory order from another bureau. The difficulty in the case arose solely from a misunderstanding among officers as to instructions. We believe these claims would not have been paid to this day had not the honorable the Secretary of the Navy (to whose ready and

patient courtesy, clear and impartial judgment, we shall always testify) overruled the decision of the chief.

On the records of the Navy Department of the extensive business we have transacted therewith during the last three years, during which we have made sales of a great variety of articles, fulfilling faithfully many contracts, the only insinuation remaining disparaging to our transactions is that contained in your letter to the navy agent, which has occasioned this prolonged correspondence.

Believing it altogether unwarranted, and therefore unjust, we have considered

it worth thus much of our attention.

We remain your obedient servants,

SMITH BROTHERS & CO.

Commander H. A. Wise, Chief of the Bureau of Ordnance, Washington, D. C.

In January, 1864, Mr. Smith proposed to Captain Wise a reference of the matter in debate to "almost any respectable mercantile house, or to the ordnance inspector, Commodore Missroon." The inspector was made umpire, and awarded an additional price to S. B. & Co., 5.85 instead of 5.75.

This established that the quotation from the Price Current  $(5\frac{1}{4})$  was not correct; and also that  $(5\frac{1}{2})$  the price first claimed by the inspector was not the

market rate.

The price 5.85 was given as a manufacturer's price, expenses added, and as the price of an article which the inspector would have bought, not of the article furnished by S. B. & Co.

The principle defended by them was thus maintained.

Of late, however, it has seemed quite impossible for us to sell articles to that bureau satisfactorily, and we had, I believe, more correspondence in the month of March with the inspector as to prices than during any year preceding. The reductions on our prices in open-purchase invoices to other departments have been so trifling that they are with difficulty recalled. There have been instances of voluntary modification by ourselves from the memorandum sent in the first instance with the goods. I do not recollect an instance of a reduction to the amount of fifty dollars upon any bill that has been approved by the When Mr. Kimball was inspector—about July, 1862—a list of twenty or more articles was presented to Commandant Montgomery as unreasonable in price, and after thorough investigation and explanation the whole list was adjusted after deductions, amounting, I am positive, to not more than fifty dollars on several hundreds or some thousands. In nearly all instances the inspector was proved to be entirely wrong. I recall one instance of gum shellac, which, if I remember rightly, was quoted as to be bought for seventyfive cents. We paid \$1 25 and charged \$1 30 for a small quantity, twenty pounds of refined, and offered the inspector, in the presence of the naval storekeeper, \$3,000 for 3,000 pounds of the same quality. The bill for gum-shellac was approved. I would add that orders for such trifling articles outside of our line were of no account to us compared with the trouble occasioned, but were filled in order that a whole requisition might be billed in one invoice. I should state here that there were instances of reductions upon a series of bills under contract, which occurred in consequence of misunderstanding with the Bureau of Construction on the part of the authorities of the yard as to the limit of quantity in contracts. But on the large amount that went into open purchase, on the final adjustment there were no objections made to our prices by the in-

Question. Did you not remonstrate against delivering goods on your contin-

gent or open contract at nominal prices?

Answer. We have never remonstrated against just claims under our con-

tracts, no matter to what extent; but when requisitions were made upon us for articles not wanted for use, or not to be claimed under the contract upon which they were required, but simply because they were cheap and in retaliation for our deliveries of articles that had been wanted that were dear, we remonstrated, and with success. The chief of the Bureau of Yards and Docks issued an order that cheap articles be required of contractors. In a letter to Admiral (then Commodore) Smith, of February 24, 1862, in speaking of this subject, after giving the particulars from our sales of losses on nominal prices, we said: "There are two sides even to government contracts. But for what purpose, you say, is this exhibit made? It is this: to demonstrate that orders should not be given, as we learn they have been, and of late repeated, to draw upon us for goods at 'nominal prices.' From the figures of our contracts, and the manner in which they have been fulfilled, protection to the interests of the government does not demand any retaliatory measures upon us. We have, we think, convincingly argued to Commandant Hudson that while we are bound, without favor, to supply the legitimate wants of the yard, as they may originate, we are not bound to fill requisitions wrested from their original shape that merchandise may be had of us at a tithe of its cost; nor are we bound to supply goods not wanted in the yard for use during the year, because they can be drawn from us for a mere nothing. It is not just that when a master painter calls for 'pure, dry white lead,' (that he may grind it and know it is pure,) it should be altered to ground lead at one-half cent, while the former is at the fair price of nine cents; that our double-thick eight-by-ten glass should be demanded, and then cut to waste, at expense, to supply cheap seven-by-nine for a temporary shed; that jackscrews worth \$25 should be ordered under our contracts at \$4, and then transferred to a bureau for which we did not contract to supply such jackscrews. Such demands may be sharp practice in behalf of the national treasury, but they are unjust; aye, more, to faithful contractors." In the latter case, of jackscrews, our argument was admitted and the order was cancelled. In a letter to Mr. Lenthall, chief of the Bureau of Construction, under date of January 7, 1863, we said: "Neither the spirit nor letter of the contracts demands of us to supply material not to be wanted until the year 1863-'44, or to furnish merchandise when demanded, because of its cheapness, in retaliation for other legitimate sales. The possible wants beyond the face of the contracts are a matter in which the government and contractor take their chance of advantage or loss as the necessity for use may arise."

Question. Did you not deliver goods largely in excess of the stipulated quan-

tity under such contracts at the higher prices?

Answer. The contracts for the Bureau of Construction stipulated an unlimited quantity for everything in the early part of our business with the depart-Those for the Bureau of Yards and Docks, while expressing a limit in quantities, were treated according to the precedent of former years, as though unlimited. On our contracts that admitted it, goods were required in excess at the higher prices and we delivered them. With reference to the higher prices alluded to, as in contrast with the low or minimum prices under the old contract system, we wish to state that our information as to the method for obtaining contracts under said system and the nature of said contracts was drawn from the reports of the Navy Department from the years 1855-'56 to 1860-'61, wherein we found the most anomalous prices for merchandise, evidently according to the estimate of articles to be wanted. For instance, in the report of 1855-'56, round iron four cents a pound, thin ble iron one cent per pound; copal varnish \$3 per gallon, coach varnish two cents per gallon; and in 1860-'61, small augers \$8 per dozen, large augers \$4 per dozen; flat, smooth files, very costly, at \$2 per dozen, flat bastard files, a common article, at \$8 per dozen; padlocks, iron, fifty cents apiece, padlocks, brass, costly, five cents each; spades fifteen cents each, shovels \$1 25 each; and under the Bureau of Construction, small iron three and a half cents per pound, large iron one cent per pound. I found also in the report of the House Select Committee on Naval Affairs, of 1859, the case of a contract for railroad iron at eighty cents per ton, worth \$70 It was with such precedents before us, and under such a system established, that we were compelled to enter the competition, to compete according to it, or else not to compete at all. As has been previously stated, within six months after the signature of our first contract, our letters were on file in the department entering protests against such a system of business, and expressing our desire for its reform; and further arguing that for any anomalous results of profit or loss accruing from such a system, the system was responsible, and not the merchant who was compelled to use it.

Question. You object to such contracts because you are not informed of the specific quantity, as not conformable to mercantile usage. Have you not made open contracts for the supply of articles you might be called upon to supply for the navy, in which you can call for more or less, or none at all? If so, who are

the contractors, what the articles, and the conditions of the contract?

Answer. We have made but very few contracts for the supply of the indefinite quantity of merchandise we might require for our contracts. We can name brushes with F. McLaughlin, hose with Shelton and Cheever, and, as we argued, one for iron with the Kinsley Iron Company; but the latter was compromised from a misunderstanding as to the quantity, being beyond the schedule. can, however, be no just comparison between such contracts as these named and those of the bureaus for unlimited quantities, for, like white chalk and white sugar, they were alike in only one point of resemblance. Our contracts with the Bureau of Construction for iron or brushes specified the most anomalous prices for articles, irrespective of their value—the inevitable result of a system of bidding which awarded contracts for unlimited quantities to the lowest bids in the aggregate upon a fractional schedule; but when we contracted with manufacturers we were obliged to pay a just price for each and every article according to its valve. We objected, therefore, to the navy contracts as not conformable to mercantile usage, and in our letter to Admiral Smith, of February 24, 1862, discussing this subject, we said:

"The contract system, as now existing in two bureaus of the Navy Department, is essentially wrong in contracting for a continued supply of a large assortment of goods upon the lowest aggregate for a fractional schedule. Instead of a clearly defined contract, indicating what the buyer is to receive, and the seller

to give during its continuance, the result is a *lottery* to each."

We made no formal contracts with the above-named parties. In all, or nearly all, the arrangement was verbal, based upon a quotation given, the quotations being fair prices for the articles or sizes of the merchandise to be supplied.

Question. Do you know of any materials to be furnished or work to be done for the navy which the navy agent had engaged, or is said to have engaged, at a higher rate of compensation than was actually required for good materials and work? If so, state when and where such engagements were made, with whom, and the prices engaged and the prices paid.

Answer. I know of no such case.

Question. Do you know Mr. Merriam, master machinist at the navy yard, Charlestown? If yea, what is your opinion of his character as a man and a machinist?

Answer. Yes, I know him. As a man, conscientious and honest; as a machinist, a genius, thorough and scientific, judging him from his powers of analysis, love of investigation, and enthusiasm for his vocation. Further I am not competent to judge.

Question. Have you ever had any conversation with him in regard to his wants and in regard to his inspections? If so, when and where, and what was

said?

Answer. Yes; as to his wants, very frequently at the expenditure of time otherwise valuable to myself; so frequently that it would be impossible to state

First. Conversations as to what, under our contracts, he was in immediate haste for, because it has been a matter of ambition with our house to respond promptly to the demands of the yard, that we might aid the government in supplying a navy and obtain credit with the authorities. Our contracts allowed fifteen days for delivery. When Mr. Merriam or any other master workman has required material at once, we have not waited fifteen days, although we might be at a disadvantage in buying, as the records will show, and as we could appeal to the naval storekeeper to testify. During the past two years, as is well known, it has been very difficult to supply many articles, especially of a standard quality, upon immediate call, at times impossible for weeks and months.

Second. Conversations occasionally as to what he might want and which might be difficult to obtain. In the same manner I have conversed frequently with Captain Green, ordnance inspector; at times with Purser Wilson and Commodore Missroon. Many times Smith Brothers & Co. have delivered merchandise on their urgent request, in advance of any requisition, as the result

of those conferences, rendering important service to the government.

These remarks should be understood as applicable to the period above a year Having found that such conferences and services received no thanks, but rather raised suspicion on the part of the bureaus, our firm have quite abandoned all visitation of the yard in person. I have myself averaged hardly more than once or twice a month the past year, whereas previously I was over nearly every day. For the past year Mr. Dunnels, in our employment, has visited the yard for necessary information. I think I have not been within the gates more than once a week for a year past on the average, and hardly at all

Question. Does he (Merriam) inspect a large portion or any of the goods you

supply? If yea, do you consider him a fair, just inspector?

Answer. I cannot say as to what goods he inspects; never saw him inspecting goods but in a few instances; recall him pointing out plates of iron to us that would not flange, and therefore to be returned to us under our warrant; had no interest as to the party inspecting our merchandise if he were disposed to be just toward the government and ourselves. I believe Mr. Merriam, and have known him at our cost to be strictly conscientious in this respect. the year from July, 1862, to July, 1863, we were agents for the Whipple File Company in New York, and had the greatest interest in the introduction of the Whipple files to the market. Immediately after the beginning of their agency we solicited Mr. Merriam to accept an invoice of Whipple files under our contract, claiming for them that they would prove of satisfactory quality, and also upon the ground that it was due to the encouragement of American manufac-He expressed fears concerning them on account of the mode of manufacture, but consented to receive a part of the contract in files of the coarsest description. Immediately upon trial Mr. Merriam expressed positive dissatisfaction, and said he would not receive thenceforward any but hand-cut files. The schedule for files for the year ending June 30, 1863, required "the above files and rasps to be hand-cut and of the best quality." When this was observed by me, I remonstrated with Mr. Merriam upon the first opportunity that such an expression published a condemnation of all machine-cut files; that if he would not accept machine-cut files, we would buy English for the yard at twenty per cent. greater cost, as we did for our entire contract for the year 1862-'63, while we were active agents of the Whipple File Company, and sold during this period, in the cities of New York and Boston, Whipple files to the amount of \$75,000.

As to inspection, we considered Mr. Kimball inspector for all goods at open

purchase and contract, as he so informed me. Since Mr. Kimball's decease Mr. Lapham has been his successor, as I judge by the signature upon my bills; have never seen Mr. Lapham; have cared nothing as to inspection, having said that we were ready to exchange and make goods satisfactory if they were not satisfactory, and having bargained also (as, for instance, with Shelton & Cheever, F. M. Laughlin, and others,) that their merchandise should be made satisfactory to the inspection at the yard. We wish here also to record the very great difficulty merchants have labored under the past two years in obtaining merchandise of any special standard quality, owing to the great scarcity in the markets.

Question. Have you ever discovered any fraud, or attempt at fraud, and do you believe that fraud has been practiced, in the inspection of the articles you

delivered at that yard?

Answer. I cannot say that I have discovered any frauds. I suppose it is not intended to ask me, personally, whether I am conscious of frauds committed by the firm of Smith Brothers & Co.; but, although I might, I suppose, protest against such a question, I will improve this opportunity to record upon the solemnity of an oath, that I know of no act or transaction in which the government has been defrauded, by said firm, to the value of a dollar, or in which they have attempted so to do. I have of late very rarely entered the navy store—I think, but once for a year—and have had, therefore, no opportunity to observe frauds in quantities or qualities of merchandise; have seen samples of oil, in bottles, in Mr. Merriam's office, which appeared so very bad that I believed if such oil had been delivered to the government for best sperm there had been fraud.

Question. An inspector by the name of Kimball was appointed at said yard. Did you ever remonstrate against him as inspector, or did you employ any one, or, with your knowledge and consent, did any one apply to the department, or to the commandant, to have this inspector removed? If so, why, and for what reasons?

Answer. I remonstrated against Mr. Kimball as an inspector, honestly believing him not only incompetent but unfair, and capable of being influenced by corrupt motives. For his incompetency I beg leave to call the attention of the committee to a fac simile of a letter of said Kimball, of December 31, 1862, attached to a paper, marked A, and which I place with the committee as a further reply to the explanations of the bureaus upon my "analysis of certain con-I will add, also, that the orthography, quoted on page 4 of said paper, is but a specimen of very much that I have seen from the hand of the late inspector. Unexpectedly, a manufacturer incidentally stated, in our countingroom, when we were not aware that he knew the man, that a Captain Kimball had been to his shop to induce him to collude with him for the sale of cloth to the Charlestown, Brooklyn, and other yards. The name of the manufacturer is F. K. Sibley, of Auburndale, Massachusetts. An original letter of Sibley, of November, 1862, in reply to ours, in which we sought to identify the party as Kimball, the inspector, is attached to paper marked "A." Afterwards receiving satisfactory evidence that he was corrupt, I felt it my duty to place the facts with Commandant Montgomery, as stated in paper marked A. ment in which paper A is, is true to my best knowledge and belief.

Question. Did you employ Dr. Stone, as your agent, to come to Washington, or go elsewhere on your behalf and on your business? If yea, when and where did he go, how often, and on what business; and did you pay him any com-

pensation in any manner for his services? If so, how much?

Answer. I did employ Dr. Stone to assist me in obtaining government business. Dr. Stone had been a most intimate friend with me since leaving college. We had been for years on confidential terms. I believed him strictly honest and conscientious, who would do no wrong for business advantage to himself or

myself. Some time prior to the appointment of the navy agent I consulted with him as to the prospect for my securing navy business. He obtained for me the reports of the Navy Department for several years. We analyzed carefully the contracts published therein to discover the system and modus operandi for obtaining contracts. He visited Washington in my behalf, also, for information; introduced me to the honorable Secretary of the Navy, to whom I made known my intentions, and to whom I addressed a letter of indorsement from the honable A. H. Rice. For about a year, until I learned the business and became acquainted with the departments, he devoted much time and effort to my interests; came to Washington at the first bidding; obtained a note from the honorable Secretary to Commodore Smith, asking that we might inspect the opening of bids, the commodore having objected. Having understood that Admiral Smith asserts that there was no objection made by him to the presence of Doctor Stone and myself, I still state confidently my belief that it was at the solicitation of Doctor Stone, after his understanding that there were objections, that the Secretary of the Navy addressed a note to Admiral Smith asking our admission; and the honorable Mr. Gooch, of the House of Representatives, happening to be present at the time, joined in our request to the Secretary. I request that Mr. Gooch may be examined on this point. Doctor Stone afterwards proceeded to Washington to bring me the facts as to a bidding, he having obtained entrance to the bidding against Mr. Lenthall's objections, according to his statement to me. He came repeatedly to Washington for information; was my bondsman; came to Washington also to ascertain if there were not army, ordnance, or Indian contracts which could be obtained to the advantage of our When government was delinquent in paying us, he at times loaned us money; aided us in obtaining loans on State street, in Boston, at other banks than our own, in the dark period of 1861 and 1862, when it was very difficult for us to obtain loans on government vouchers, and when government owed us one to two hundred thousand dollars three or four months that was due in thirty I consider the question as to the compensation made by myself to Doctor Stone for such services a private matter, not proper or pertinent to this investigation, especially considering the decease of Doctor Stone, and I ask the decision of the committee on the question.

Mr. Hale. The committee think the question is not pertinent, and the witness

may answer or not, as he pleases.

The witness: I decline to answer, but I will say that from the time Doctor Stone assumed the office of United States collector—about a year and a half ago, I think—he did nothing whatever of consequence for us. I saw him but very rarely during the last six months of his life. It is solely on account of the habitual reticence of Doctor Stone as to his private matters while living, that I am now unwilling to testify as to said private matters subsequent to his decease.

Question. Have you ever charged or attempted to charge any profit or commission on any chattels of any kind which you did not order or receive an order to purchase? If yea, state the articles and the amount and reasons for such

charge.

Answer. I know of no such case except where I have anticipated requisitions for the accommodation of the commandant and the officers of the yard. On a Saturday afternoon, I was once requested by Commandant Hudson, by a note through a clerk, to supply immediately a suit of chains and anchors for the Wachusett. The stores were closing, and it was with the greatest difficulty it was accomplished. In other instances, parties in great haste have selected articles in advance of requisitions, a course always objected to by us as occasioning us at times great inconvenience and trouble.

Question. In the articles you have stated as contracted for at exorbitant prices, and on which you have assumed the profits at the prices you charged, or would have charged for similar articles, do you know that these articles referred to

were of the same class, quality, and cost as those you state as your price for them; and were not the offers invited for them by advertisements once a week

for four weeks, and were they not open to all who chose to bid?

Answer. I believe the articles estimated upon by me in comparison were of the same or of better quality than those contemplated in the contract; most of them, as in the case of the wrench contract at Kittery, were for articles such as we supplied at Kittery and Charlestown, and which were satisfactory. At Kittery, the officers in charge stated that we had furnished better goods and more promptly than other parties for a long time. The offers were invited by advertisement, and the bids were open to all; but my argument was that parties were informed of the classes, as in the wrench contract, on which no bids were received.

Question. Have you, or has any one in your knowledge, ever conversed with any of the employés in the navy yard as to their wants, and description of articles which would be wanted, or which would be required and recommended to be purchased? If so, who, how often, of whom, and all the circumstances?

Answer. I believe I have fully covered this question in reply to interrogatory

No. 12.

Question. In your pamphlet, page 4, you say "the result of these errors being in such loss to the government and such gain to the contractors as to suggest that they could not have been in all intents miscalculations;" and on page 17, to carry out the plan intimated by you of purposely consummating contracts or exorbitant bids, you say "the ring entered the offices of the department in its circuit; some parties in the interest of A, B, C, D, had the keys of the drawers of the bureau." These statements clearly intimate that fraud has been committed intentionally in the bureaus. Please state from your own knowledge what parties and whose drawers they had the keys of, and your impression and opinion of the character of the chiefs of the bureaus and their clerks, as to their knowledge and complicity in committing frauds on the government, and on what

information your knowledge or belief is based.

Answer. In my former testimony before this committee, I gave in full, I believe, all the facts from my own knowledge bearing on the matter. I had not proof sufficient to warrant my judgment, I mean my personal conviction, of any one individual of the wrong which I believed had been committed. By some parties having the keys of the drawers of the bureaus, I meant figuratively to imply that some parties holding the secrets of the bureaus had betrayed them. I felt it my most unwelcome duty, from the facts within my knowledge, and those discovered in the report of the honorable Secretary, to trace the wrong to the bureaus for investigation, but have not further sufficient proof to warrant here a judgment as to the parties responsible; and I presume that my impressions or opinions not based upon legal evidence are not proper matters for testimony before this committee. The position of witnesses in the case is sufficiently responsible and unpleasant. I do not consider it right or just to put interrogatories which would make me a judge.

Question. How often have you probably visited the navy yard at Charlestown since you have been a contractor; and have you in any of these visits suggested

to any parties how they should conduct the business?

Answer. I visited the yard very frequently during the first two years of my business, but very rarely the past year. I have not suggested to parties in the yard improvements in the system of business, believing the system to originate in and be directed from Washington, but have often remarked that reforms were needed.

Question. What was the yearly amount of the sales of the house of Smith Brothers & Co. prior to their contracts and sales to government, and what has it been since?

Answer. That is a question concerning my private affairs, to which I consider

that I have a right to take exception, as not pertinent or proper; and yet as reticence may be misjudged, I will answer frankly. The sales of Smith Brothers & Co., in Boston, for the year to February, 1861, were about \$150,000. In 1862 we opened a branch house in New York, 28 Warren street. Since 1861 our sales in our regular business to February, 1864, have been from \$600,000 to \$700,000, and our sales to government meanwhile about \$1,000,000. The profits on the former I believe to have equalled the profits on the latter, the percentage of profits having been relatively to the sales much larger upon our ordinary business than our government business. With reference to our said sales of one million dollars' worth to government, it should be stated that I estimate from \$400,000 to \$500,000 of said sales were sales under our formal contracts with the bureaus of the Navy Department under their published advertisements for bids. I believe that the average per-centage of profit on said sales has not exceeded a fair mercantile rate, while to the government, in the aggregate, they have been extremely profitable and advantageous. Under the last contracts which we made with the government, about August, 1863, amounting to about \$150,000, before the delivery of the merchandise was completed, such had been the advance on merchandise that there must have been a saving to the government of from \$40,000 to \$50,000 by the contracts. We are now delivering iron to government under that contract at about \$95 per ton that is worth \$140 readily in the market. During the whole period of our contract business with the department, there has been such constant advance upon merchandise as to make the contracts advantageous to the government.

Under the old contract system, which was amended through our efforts by the act of March 3, 1863, there were most anomalous deliveries, as I understand has been shown by Mr. Ellis. For said deliveries we were in nowise responsible, and as to profit or loss were entirely independent of our will in the matter. The contracts were obligatory upon us to deliver merchandise as demanded. We delivered according to the formal requisitions upon us, and for the results

the system was responsible.

With reference, further, to the sales to government, about \$200,000 to \$250,000 have been obtained by successful bids in response to public advertisements, and were principally for sales of pig iron. The sales of pig iron also by us to the government, under these public advertisements, were exceedingly advantageous to the government. On one contract for pig iron, at \$25 per ton, we delivered large quantities when it had advanced to from \$33 to \$38 per ton. The balance of said amount of sales to government represents the amount of open purchases received by us during a period of three years, and in relation to a large number of contracts.

Question. Is Mr. Norton, navy agent, in any way concerned in your firm as a silent partner, or otherwise, and has he ever been; and has he or is he to receive any gratuity, commission, or compensation from you, or through your agency?

Answer. He is not interested in our house as silent partner or otherwise, nor has he ever been; and he has not received, and is not to receive, from our house or through its agency, any gratuity, commission, or compensation for the business we have received through his agency.

Question. Did you sell a quantity of files to Mr. J. L. Savage? If yea,

what was the bargain and what the result?

Answer. I did not. No files were ever sold to Mr. J. L. Savage by the Boston house of Smith Brothers & Co. Mr. Foster, the managing man for the New York house of Smith Brothers & Co., did sell Mr. Savage files at sundry times, as per statement of account current here presented from the duplicate ledger of the New York house. Mr. Foster has been only a nominal partner of Smith Brothers & Co. since 1861, the copartnership having then expired. Since that time, B. G. & F. W. Smith have been the only active

responsible partners in the house, furnishing all capital and taking all risks. Said Smith Brothers have managed entirely and exclusively all sales to government direct. Mr. Foster, as New York manager, sold files to Mr. Savage and many other parties under the agency in New York. Concerning the question addressed to Smith Brothers & Co., on this point, I beg leave to place herewith the deposition of Alonzo A. Foster, of Brooklyn, N. Y.

Question. Were not those files, or a portion of them, after being returned to you after being rejected at the Washington yard, sent to the Charlestown navy

yard and received?

Answer. They were never returned to Boston, or to Charlestown, or to Smith Brothers & Co., at all. I beg leave, as proof of this, to refer to a certified leger account of J. L. Savage with Smith Brothers & Co., showing that he never returned but \$23 75 worth of merchandise, and also the letter of J. L. Savage, of September 16, 1862, stating "I have concluded to keep the files and turn them into stock, and work them off in that way. I enclose draft on New York for balance, \$394, which please acknowledge." The original letter is here.

- "I, Alonzo A. Foster, of Brooklyn, in the county of Kings, State of New York, hardware merchant, of the age of thirty-five years, on oath depose and say, in answer to the several interrogatories and cross-interrogatories annexed, that I will testify the truth, the whole truth, and nothing but the truth.
- "Question 1. Did you sell files to J. L. Savage, for the Washington navy yard, which were rejected?

"Answer. Yes.

"Question 2. Did you visit the Washington navy yard to inquire why those files were rejected?

"Answer. Yes.

"Question 3. What was said?

"Answer. Mr. Wilson and others objected to the *cut* of the files, and remarked that if the *cut* could be perfected, he would consent to another trial. He was pleased with the general appearance of the files.

"Question 4. What disposition was made of the files?

"Answer. Do not know.

"Question 5. Were they returned to Boston, and sent to the Charlestown navy yard?

"Answer. They were not returned to us, (S. B. & Co., New York.)

"Question 6. Did you say that 'if you had greased the wheels' the files might have been accepted?

"Answer. No.

"Question 7. When were the files sent to the Washington navy yard sold? "Answer. Sold to Mr. J. L. Savage July ninth, (9th,) eighteen hundred and sixty-two, (1862.) Have no knowledge when they were sent to the Washington navy yard."

"Question 8. How many, and what kinds?

"Answer. Do not know.

"Question 9. When did you go to Washington?

"Answer. Have no record of the date.

"Question 10. Who did you see? "Answer. Mr. Wilson and others.

"Question 11. Who else was present?

"Answer. Mr. J. L. Savage.

"Question 12. How long were you there?

"Answer. Three or four hours.

"Question 13. Did you examine all the lot of files, or see all the lot?

"Answer. Did not see any particular lot?

"Question 14. Did you say anything about Charlestown?

"Answer. Did say that the Boston house had sold Whipple files into the Charlestown navy yard.

"Question 15. Did you say that they could be passed there?

"Answer. No recollection of saying so.

"Question 16. Did you have a second interview in the Washington yard?
"Answer. I did, on the same day; had general conversation with Mr. Wilson at his office.

"ALONZO A. FOSTER.

"STATE, CITY, AND COUNTY OF NEW YORK, ss:

"Alonzo A. Foster, being duly sworn, says that he has read the foregoing deposition by him subscribed, and the answers to the several interrogatories therein propounded, and that the same is, and the said several answers to interrogatories are, true.

"ALONZO A. FOSTER.

"Sworn and subscribed before me this 4th day of May, A. D. 1864.

"J. F. HARRISON,

"Notary Public, New York City."

"Washington, D. C., September 13, 1862.

"GENTS: I have concluded to keep the files and turn them into stock, and work them off in that way.

"I enclose draft on New York for the balance, \$394; which please acknowledge, and much oblige, yours truly,

"JOS. L. SAVAGE,"

"Messrs. Smith Brothers & Co."

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True copy taken from Smith Bros. & Co.'s "Duplicate New York leger."
Attest:
Witness: E. P. DUNNELS.

Question. Did you not intimate to Mr. Savage that they might have been received at the Washington yard if he had "greased the wheels," or something to

Answer. The interrogatory has reference solely to Alonzo A. Foster, and is answered by his deposition. I say, no, I never had any conversation with Mr. Savage about the files, and Mr. Foster denies that charge in his deposition.

Question. Is Mr. Norton interested with you in any business operations

other than furnishing supplies to the government?

Answer. He is not, of any nature whatever, nor has he ever been.

Question. Is Mr. Merriam, master machinist in the Boston yard, interested with you in any business operations, or is he related to you by marriage or otherwise?

Answer. Mr. Merriam is not and never has been interested with Smith Brothers & Co. in any business operations, nor is he related to us by marriage

or in any other way.

Question. Have you ever consulted with or been consulted by the master workmen in the navy yard in reference to getting up the schedule for annual

supplies?

Answer. I think positively never. The only instance of the kind, if any, was with reference to the schedules for yards and docks for the year 1861-'62. I may have seen the schedules of those either in Mr. Billings's office or in that of the master machinist or naval storekeeper. I remarked at the time they were being prepared, to Mr. Merriam and Mr. Billings, the civil engineer, that, so far as Smith Brothers & Co. were concerned, they wanted straight honest schedules for precisely the government wants.

Question. Have you ever seen the schedules before they were forwarded to the bureau? If yea, did it not give you an advantage in bidding over others? Answer. If I have seen them, as above stated, I consider that I obtained no

advantage over any other parties in bidding.

Question. Have you not received from the navy agent orders to furnish sundry tools, pumps, &c., and repairs of same? If yea, have you furnished them at the manufacturer's price? If not, what profit did you charge on the manufacturer's price, and whom did you employ to furnish such tools, or any tools; and could not the navy agent have procured them at the market price as well as

you?

Answer. We have furnished several times assorted tools, &c., for vessels on requisitions which may have had therein items for repairs, &c. In such case we have charged only very moderate commissions, varying much according to the article, the trouble, expense, &c., attending the finding and buying thereof. Sometimes the delay of an article has caused us a large loss of interest. These assorted requisitions have been the most troublesome and expensive part of our business, and the commissions thereon, which we believed would average only ten to twelve and a half per cent., have not fairly compensated us as merchants. We think it would have been impracticable for the navy agent to fill such requisitions at all without the help of those experienced in the specialty of navy supplies, and without the outlay of very much time and trouble. We will add that, upon a careful investigation of our business at the close of the last business year, we found that our sales to government had averaged a very much less percentage than sales of a similar character in our ordinary business, and which latter sales were attended by very much less care, labor, vexation, and responsibility.

By Mr. Doolittle:

Question. Some of your bids have been shown in the course of the examination in which you bid for Scotch pig iron, say, one dollar a ton, while for American iron you bid thirty-six dollars a ton. At the time of making this bid was not the Scotch pig iron in the market really worth as much as the American?

Answer. I think about the same.

Question. How could you as a business man venture to bid to furnish iron

worth twenty-five or thirty dollars a ton at one dollar?

Answer. With reference to the particular articles of Scotch pig iron and American pig iron, I remember that I inquired of founders in Boston, and they told me that they used at that time almost entirely American pig iron for their castings, using the Scotch solely to soften the castings. They used very little Scotch in proportion to the American, the American becoming harder, the Scotch softer. I did it, therefore, based upon that information, upon the probability that but little Scotch would be required proportionally to the American. I will here state, however, that in reference to such bids as Scotch pig iron and all others where there were articles at minimum rates, we considered that we took a large risk upon us in the chances of the requisitions. That was one very disagreeable feature.

Question. At the time when you bid for the American and Scotch iron what

was the real market value of iron?

Answer. I am unable now to say.

Question. Was it not about twenty-five dollars a ton? Answer. About twenty-five dollars, I should think.

Question. So on the American iron you bid at eleven dollars a ton above the market price, and on the Scotch pig you bid twenty-four dollars below?

Answer. Yes, sir; and with the expectation that the demand probably, as above stated, for a larger quantity of American than of Scotch would cover the probable loss on the Scotch.

Question. Why not bid just fairly what you thought was the fair price of the American pig iron and of the Scotch pig iron, with a fair profit added for

yourselves?

Answer. I will state that I am very glad the question has been asked in that shape, because I think I shall be enabled to make it clear. The mode which had been practiced, upon which the bidding had been conducted for several years, as previously stated in my testimony to-day, and which was at the foundation of all this fictitious bidding, was that inasmuch as the law required that the contracts should be awarded to the lowest bidder in the aggregate—absolutely the lowest bidder in the aggregate—a system had become established, as may be seen from the reports of the Navy Department, of competition in bidding by which the aggregate for the schedules proposed was actually less than the real cost of the same goods in the market. The analysis of the contracts as published, as previously stated, will show this statement to be true. In order to bring the aggregate of a bid to the lowest possible point in the competition, and thus secure the contract, the most anomalous prices had been applied to those articles, as is now illustrated by a reference to the Scotch pig iron and American pig iron.

Question. Was it not a regular lottery—a gambling operation any how?

Answer. I will add that in a minute; I have previously so stated to the department. I have already quoted from the reports of 1860-'61, where these prices are much more anomalous than in the instance of Scotch and American iron, now quoted from our contract. There is the case of railroad iron, commented on by Admiral Smith, where the Bureau of Yards and Docks, in 1859 or prior, entered into a contract for railroad iron worth seventy dollars per ton, at eighty cents per ton. This system was a lottery both to the government and the dealer. Its success for profit depended upon the accuracy of the judgment of the bidder as to the articles that would really be required in considerable quantities.

Question. Have you not reason to believe that persons, in making these bids,

sometimes had some knowledge or information or understanding with machinists, or somebody or other about the yards, as to how much would be called for

of a given article?

Answer. That is quite a probable supposition; but as I have stated, in the case of Smith Brothers & Co., preparing their first bids, they followed the lead of the published contracts of the department, wherein can be seen at a glance the articles which were placed at very high prices, and articles placed at very low prices, and which were plain indices for their judgment in this respect. I will instance that flat bastard files will be found at very large prices in these published reports, and fine machinists' files at two cents per dozen, worth, perhaps, \$10 to \$15 per dozen. In the report of 1860-'61, will be found some of the most costly machinists' files offered at two cents per dozen. It is generally known by dealers and mechanics that the flat bastard file is used in very large quantities, compared with others. I quote instances from the published reports of the Secretary of the Navy:

REPORT OF THE SECRETARY OF THE NAVY .-- 1857-'58.

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" Contract of Bureau of Yards and Docks, with W. T. Capps.
" Contract with Horton, Hall & Co.
&c., &c....
&c., &c....
&c., &c....
" Contract with J. L. Savage.
"Half-round bastard files, 14-inch, $10, (worth $6,)...

"Stubbs's half-round dead smooth files, 12-inch, 2 cents,

(worth $15)...

Three-square files, 10-inch, 1 cent, (worth $4).....
              " Contract with Allyn, Rose & Co.
"Bureau of Construction.—Contract with Horton, Hall & Co.
 "Round iron, small, 3\frac{1}{2} cents per pound.....
 "Round iron, large, 2\frac{1}{2} cents per pound .....
 "Flat iron, thin, 3½ cents per pound.....
"Sheet iron, 6 cents per pound ....."
"Cast steel, 18 cents per pound ....."
 "Blister steel, 3 cents per pound .....
  These articles were at very profitable prices; and deliveries were made of
 them to the extent of from five to fifty times the face of the schedule advertised.
  It was these precedents that we followed. In the paper prepared by myself
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for the Secretary of the Navy and the Hon. Mr. Sedgwick, February 10, 1863,

this whole subject was discussed at length.

Question. Did you yourself or any member of your firm have conversation with or access to any person inside of the yard, or connected with it, so as to ascertain how much would be required of particular articles, so that you could make a bid like that?

Answer. I will say that at the time we prepared our first bids for the Navy Department, upon which we obtained quite a large number of contracts, we did not know a master workman or official in the navy yard; and those bids were made by a mathematical analysis of the published reports of the department. With reference to the bids for the year succeeding, the experience that we had in the working of the first contracts was all that we needed for our judgment in the future; and I say positively that I recall no instance of receiving any information as to special wants, which was of the advantage referred to in the question, from master workmen or mechanics, or from any other persons connected with the yard.

### A.

Insinuation first. "The department directed inspectors of bills to see that the prices for articles procured in open market were fair. The action of the inspector at Boston, the friends of Smith Brothers & Co. have strenuously endeavored to defeat."

The insinuation is against "the friends" of Smith Brothers & Co. In their behalf we deny that they ever attempted to "defeat the action of the inspector

in seeing that the prices of articles procured in open market were fair."

More light is desirable upon this matter. We can supply it. It will show what "action" of the inspector "the friends" of Smith Brothers & Co. and themselves did undertake to defeat; and that the department might well have appreciated their efforts for the remedy of wrong.

Incidentally, we received evidence that the inspector sought wrongful collusion with a manufacturer for his pecuniary gain. As was unquestionably our duty, we placed said evidence (copy of which follows) with the commandant of

the yard.

# Copy of statement placed with Commodore Montgomery.

Boston, December 30, 1862.

About the 1st day of November, Mr. F. K. Sibley called at our office with reference to our orders for emery cloth. In the course of conversation he remarked, incidentally, that a Mr. Kimball, from the Charlestown yard, had been at his factory in Auburndale, and proposed to him to arrange so that they (Sibley and Kimball) could monopolize the supply of the article to the government yards, Kimball assuring Sibley that he could manage it so as to get rid of those contractors; supply Portsmouth, Charlestown, and Brooklyn yards, and make a good thing of it, or words to that effect; expressing the idea of mutual profit in the arrangement. Mr. Sibley stated that "it could not be done, as he was confident," Commodore Smith having told him that it must be supplied by the contractors; but that he would "not do such a thing if he could." This was exceedingly to my surprise, as I was aware Mr. Kimball was an inspecting officer of the government.

Subsequently, Mr. Sibley has given the substance of the above in writing and repeated in conversation to the undersigned. I have no doubt he will again

confirm it if requested.

BENJAMIN G. SMITH.

DECEMBER 31, 1862.

The above is the conversation with Mr. Smith, as near as I can recollect. F. K. SIBLEY.

We were informed that immediately upon notification of the charge the in-

spector left for Washington.

The only participation of "the friends" of Smith Brothers & Co. in the matter was this: that being themselves strangers to the commandant, we requested two friends, in whom we believed he had entire confidence, to call upon him and indorse our integrity of purpose in the unpleasant duty we had performed.

It was also stated to the commandant that further evidence of a similar tenor

could be procured.

The writer was informed by the commandant, that the inspector had obtained

from the manufacturer a statement relieving him of the charge.

A fac simile copy of the three questions addressed by Kimball to the manufacturer is annexed.

"NAVY YARD, Boston, December 31, 1862.

"MY DEAR SIR: Will you give me, in writing, ancerers to the followin questions:

"Have you ever paid me, or offerd to pay me, eny money for selling your emery cloth?

"Have I ever sed that I would sell your cloth if you would pay me for it?
"Did you tell Mr. Smith, of the fim of Smith Brothers & Foster, or give them to understand, I was pay for, or expected to be paid for, selling your cloth?

"Yours, truly,

"GEO. KIMBALL, "Acting Master U. S. Navy.

"F. K. SIBLEY, "Auburndale, Massachusetts.

"P. S.—Will you please answer to-day."

It will be seen by the preceding fac simile, that each of the questions propounded carefully avoids the real point of the charge; and that answers, either affirmative or negative, were entirely irrelevant, and were no proper defence.

Yet the question whether the charge was fully proven is quite another from our duty in preferring it. We assert that we did our duty, and nothing but our duty, in the case, and with pure motives. What motive, selfish or personal, can be imagined in the matter? We had not the least influence over the appointment of his successor.

Again, if we wanted a man, who could be corrupted to our wrongful advan-

tage, we had original written evidence that he was our man.

There was another phase of the "action" of the inspector which the friends of Smith Brothers & Co. endeavored to defeat, and in so doing they were "friends" of an efficient administration.

The duty of the inspector, as originally prescribed to him, was to inquire prices of two or three parties, and indorse them upon the back of the requisition

before it was placed with the navy agent.

To illustrate: a requisition that passed through our hands for yellow metal and nails was indorsed thus, with quotations by the inspector:

This was an unwise and impracticable measure, as experience fully demonstrated. Unwise, because it embarrassed the purchasing agent disadvantage-

ously in buying, by the previous notice of intended purchases, forestalling his action and enhancing prices; *impracticable*, because the inspector was soon known as a *mere pricer*, never as a *buyer*, despite his occasional disguise of uniform. He was soon repelled in his inquiries, as would be the natural result of such efforts constantly repeated among merchants.

Representations of these important considerations were made to the depart-

ment.

The inspector's conduct was modified. Indeed, the above course of action received a quietus, and for months the requisitions bore no evidence of his inquisition in the market. In a late special case, where he was requested to obtain a market price, he misled the inspector of ordnance into a decision which we followed *from principle* (the amount involved being trifling) until it was reversed.—(Vide Correspondence with chief of Bureau of Ordnance, elsewhere.)

Furthermore, this inspector was retained formally in his place for weeks and months after he was entirely incapacitated for duty by fatal disease, and, as the writer has been informed, vouched for the fair price of merchandise, by his signature, upon his sick bed, when accurate information and reliable judgment were alike impossible. A successor was not appointed until after his decease.

"Auburndale, November 18, 1862.

"Gentlemen: Yours of the 17th is at hand. The twenty reams emery cloth is added to your order of ten reams, and will be sent along as fast as possible. I received my cloth Saturday night, and am hard at work upon it. You shall have ten reams next week.

"The person who called on me gave his name as Kimball, of the Charlestown navy yard; but you must relieve me of all connexion with him in trying to monopolize the trade in that article. I am not the man. My business is to manufacture; the cloth will sell itself.

"Yours, truly,

"F. K. SIBLEY.

"Messis. Smith Brothers & Co."

A true copy of the original.

DANIEL HALL,
Clerk of Senate Committee on Naval Affairs.

# Testimony of Commander Henry A. Wise.

May 21, 1864.

Commander HENRY A. WISE, United States navy, Chief of Bureau of Ordnance, sworn and examined.

Questions proposed by request of the Secretary of the Navy:

Question 1. In open purchase, does the law require you to purchase through

the navy agents?

Answer. No. The law of 1809, under which navy agents are appointed, takes away none of the previous power of the Secretary and of the bureaus, among which was the authority to purchase supplies.

Question 2. Is there any regulation requiring the purchases to be made through

the navy agent?

Answer. No; the governing regulation of the department on the subject is article 1, under the head "Navy Agents," in the printed "Instructions to Navy Yards." This article expressly recognizes the power of the bureau to make its own purchases.

Question 3. What has been the practice of the Bureau of Ordnance—to pur-

chase through the navy agents or make its own purchases?

Answer. The Bureau of Ordnance has made most of its open-market purchases through the navy agents; but exorbitant prices, poor quality of articles, and false weights and measures in cases of purchases by navy agents, have frequently impelled the bureau to make its own purchases.

Question 4. What is the proper mode of procedure in cases of purchase in

open market though the navy agents?

Answer. A requisition is made at the yard specifying the article required. This requisition is placed in the hand of the navy agent, who is thus called upon to make the purchase.

Question 5. In making these purchases, what are the duties of the navy agents particularly as to price, quality, and proper delivery of the articles?

Answer. The regulation states that the navy agent shall procure these articles and be responsible that they are forthcoming, according to contract, at the lowest market price, and of the best quality.

Question 6. As far as your knowledge and experience go, are these requirements complied with on the part of the navy agents, particularly as to prices?

Answer. In the matter of prices, since I have been in charge of the Bureau of Ordnance, I have had my attention frequently arrested by the high prices paid for articles purchased through navy agents. In some cases, not relying upon my own judgment alone, I have instituted inquiries, and found that the charges were so exorbitant that I felt it my duty to refuse payment until a proper reduction was made.

I would mention as a case in point the article of copper, much of which is required for ordnance purposes. Where a lot has been required, I have in many cases made inquiry at the same time of navy agents and private parties, and have been able to purchase cheaper directly through dealers than through navy agents, although the navy agents have proposed for less nominally than the

dealers.

I will also mention the matter of transportation, which I have sometimes found engaged by navy agents at such exorbitant rates that I have interfered and engaged the same transportation at a reduction of nearly one-half. In several cases of transportation to California, both from Philadelphia and New York, the navy agents' prices were two and a half cents, and it was obtained by the bureau at one and a half cent per pound.

As another instance of the high prices paid by navy agents, I would submit here a list of purchases made by the navy agent at Boston, for fourteen days, in

comparison with the fair market price at that time prevailing:

# NAVY YARD, Boston, July 15, 1862.

SIR: In obedience to your order of the 1st instant, I have examined with great care all articles delivered at this yard under "open purchase," and the bills for the same, and respectfully present the following list of articles purchased and delivered from the 1st instant to this date, together with the "market prices," as ascertained by careful inquiries:

Articles.	es charged n bills.	Market prices.
• /	Prices in	Mar
12 barrels pitch barrel	\$10 00	\$10 00
30 bales best oakum, (1,500 pounds,) less four per cent.	,, ,	,
off for cashpound	81	81/2
100 feet $\frac{1}{8}$ -inch chainfoot		
6 black-walnut arm-chairs each	4 00	4 00
20 pounds rubber packing pound	85	75
11 pounds cotton packing pound	30	
1 hand bellows		2 25
730 pounds tarred paperpound	$\frac{4\frac{1}{2}}{2}$	3
190 pounds rubber packingpound	85	75
20 gallons Emory's naval varnishgallon 4 five-gallon cans, for varnisheach		1 00 75
12 ward-room chairsdozen	21 00	21 00
10 ward-room chairsdozen	21 00	21 00
$360\frac{820}{2240}$ tons bituminous coalton	7 75	7 75
20 gallons naval varnish gallon	1 00	1 00
4 five-gallon cans, for varnisheach	75	75
3 sliding-door lockseach	1 50	
4 pairs mineral knobs and escutcheons	37	
12 iron drawer handles	$8\frac{1}{3}$	
1 cask lenses, (12,) 14-inch diameter, 302 pounds		, 33
6 lenses, 6-inch	2 50	
122 lights, 9 by 13, double-thick glass	$\frac{12\frac{1}{2}}{2}$	
100 gallons whale oil	67	62
1 box sperm candles, 33 pounds	7 50	26
1 pawl wrench	10 00	
pawi wienen	15 00	
1 box salt-water soap, 75 pounds		
12 silver calls	$4 00^{2}$	4 00
20 gallons naval varnish		1 00
4 five-gallon cans		75
1 set flue brushes		44 00
1 set tube brushes	18 00	
6 swivel lamps		5 25
110 pounds sheet rubber	75	60
275 pounds rubber		60
150 pounds rubber gaskets		75
215 pounds rubber packing	75	75
10 pounds rubber	75 75	75 75
10 pounds rubber	43	40
2 silk lines, for indicators		40
1 screw-punch and dies		25 00
1 screw-punch and dies		25 00
400 washers, 30 <sup>1</sup> / <sub>4</sub> pounds	10	8

• •		
Articles.	Prices charged in bills.	Market prices.
25 barrels Wilmington tar.  1 box fresh-water soap, 72 pounds.  53½ pounds packing.  10 hydrometers.  50 quires emery cloth.  1 dozen cast-steel shovels.  100 pounds flour of emery.  30 lamp chimneys.  21 scrubbing brushes.  60 feet rubber hose.  2 dozen extra dust brushes.  3 casks 6-inch cut spikes.  2 dozen cast-steel shovels.  3 casks 10-penny nails.  3 casks 12-penny nails.  6 office chairs.  176 pounds Italian hemp packing.  105 pounds cotton.  300 feet 2¼-inch belting.  10 pounds beeswax.  10 pounds ultramarine blue.  50 pounds soda ash.  25 sheets pasteboard.  1 dozen varnish brushes.  20 pounds white gum-shellac.  2 dozen corn brooms.  2 dozen iron padlocks.  3 dozen buttons, in plates.  6 gross iron screws.  2 gross iron screws.  2 gross brass screws.  4 gross brass screws.  5 gorss brass screws.  6 mortise locks.  6 pairs mineral knobs and escutcheons.	$ \begin{array}{cccccccccccccccccccccccccccccccccccc$	$ \begin{array}{cccccccccccccccccccccccccccccccccccc$
8 dozen cupboard locks, assorted keys 4 dozen iron padlocks. 2 dozen brass padlocks. 8 dozen brass buttons, on plates. 1 dozen brass ship butts. 1 dozen 4-inch brass cabin-door hooks.  ½ dozen 6-inch brass cabin-door hooks. 12 dozen brass butts, assorted.	3 25 9 00 75 11 50 3 50 4 00	2 00 2 00 7 50 11 00

•		
Articles.	Prices charged in bills.	Market prices.
3 dozen brass butts  2 dozen brass butts  6, 003 pounds zine  425 pounds Banca tin  2 brass syringes  1 steel square  1 drawing scale  124 gaskets, 32 pounds  47 pounds gaskets  3 dozen 8-inch round second-cut files  20 pounds potash  65 pounds rubber packing  100 pounds 3½-inch sheathing nails  4 gross 1½-inch No. 12 screws  2 gross 2-inch No. 14 screws  36 pairs brass butts  100 pounds 10-penny cut nails  1 gross 1½-inch screws  100 pounds 10-penny cut nails  1 gross 1½-inch spikes, 6-inch  100 pounds wrought ship spikes, 6-inch  100 pounds wrought ship spikes, 9-inch  300 pounds curled hair  20 gross enamelled buttons  20 gallons Emory's naval varnish  4 five-gallon cans  ½ ream foolscap paper, to pattern  500 pounds pure refined beeswax  20 lights glass, 16 by 40  22 lights glass, 10 by 34  22 gross brass screws, 2 inches, No. 14  3 gross brass screws, 1½ inch, No. 13  50 pounds 8-penny copper nails  2 reams emery cloth  3 dozen paint brushes  4 dozen paint brushes  6 dozen whitewash brushes  2 looking-glasses  2 casks lime	$\$3$ 50 $4$ 50 $2$ 25 $7$ 34 $\frac{1}{2}$ 8 00 $4$ 50 $75$ 75 $2$ 63 $8^{\frac{1}{2}}$ 75 $4$ 55 $88$ $33^{\frac{1}{3}}$ 34 $46$ 45 $1$ 00 $66^{\frac{2}{3}}$ 3 $34$ 46 $45$ 1 00 $66^{\frac{2}{3}}$ 3 $34$ 3 $34$ 3 $34$ 6 $45$ 1 $83^{\frac{1}{3}}$ 3 $16$ 2 $15$ 40 18 00 $85^{\frac{1}{3}}$ 8 $30^{\frac{1}{3}}$ 9 $30^{\frac{1}{3}}$	75 75 2 63 7 75 2 63 7 75 44 70 3½ 3½ 3½ 3½ 3½ 30 3 60 4 50 50 50 1 50 50 50 1 50 50 50 88
2,365 pounds Lowmoor iron	$67\frac{1}{2}$	$\begin{array}{ c c }\hline & 7\frac{1}{2} \\ & 62 \end{array}$

Articles.	Prices charged in bills.	Market prices.
‡ pound best Russia bristlesper ‡ pound 4 gross black-walnut knobs, 1¾-inch	2 50 3 00 1 50	2 00 1 75
2 gross black-walnut knobseach	1 25 2 50 2 00	1 25 1 50
125 barrels tar 2 dozen half-round Stubbs's superior files, 8-inch 3 dozen second-cut files, 12-inch	16 50 6 92 5 50	16 50 5 87
3 dozen second-cut files, 8-inch	2 96 1 42	
6 dozen flat bastard files, 10-inch	3 50 4 75 6 50	2 94 4 13 5 75
3 dozen round files, 8-inch. 6 dozen half-round second-cut files, 4-inch. 6 dozen half-round second-cut files, 8-inch.	2 50 1 50 3 00	2 13 1 29 2 63
24 rubber valvesper pound 63 pounds annealed iron wire	1 00	1 00
10 jars chloride of lime	$\begin{array}{ccc} 2 & 50 \\ 1 & 00 \\ & 75 \end{array}$	1 80 78 75
256 pounds brass wire, $\frac{5}{16}$ -inch	$37\frac{1}{2}$	. 29

The market prices quoted above are further reduced by a per-centage allowed by the seller upon a majority of the articles furnished, which appears to be the usual custom in the market.

Very respectfully, your obedient servant,

GEO. KIMBALL,

Acting Master United States Navy.

Com. J. B. Montgomery,

Commandant United States Naval Station, Boston.

Question 7. Are the prices of purchases made by navy agents ever apparently low, but in reality high, by reason of false weights and measures?

Answer. They are, and four persons are now in Fort Lafayette, one of them

convicted of this crime, and the others awaiting trial.

Question 8. The regulation requires that the navy agent shall be responsible that the articles purchased by him are forthcoming according to contract, and of the best quality. Is this requirement complied with; that is, does the navy agent, before approving bills, see to it that the articles have been delivered as ordered, and of proper kinds and qualities?

Answer. In my opinion, not the slightest attention is paid by the navy agents to this regulation, and the approval of bills by them is a dead form, and not the slightest reliability can be attached to it. So much so that I have every reason to believe that under an order from the navy agent for iron, hog's lard, or brass door-knockers might be delivered, and the contractor could procure approved bills of the navy agent for iron.

Question 9. Can you give any instance of such neglect on the part of navy

agents in regard to the purchases made by them?

Answer. I can. Almost every purchase made by navy agents, if carefully inquired into, would furnish an instance of the kind. I would mention, as an instance, the case of Smith Brothers & Co., of Boston. A requisition was placed in the hands of the navy agent at Boston for boiler iron. agent ordered this iron of Smith Brothers & Co. Under this order Smith Brothers & Co. furnished what is called C No. 1 iron, which was satisfactory for the purpose for which it was required; but when the bill was presented, it was approved by the navy agent for a superior and higher-priced article, namely, "best flange iron," at 81 cents per pound, whereas the kind of iron delivered could be obtained at 5\frac{3}{4} cents per pound, making the bill some hundreds of dollars higher than it should have been. Commodore Missroon objected to the exorbitant price charged, which induced Smith Brothers & Co. to reduce it, and that firm attempted to explain the matter away by saying that it was all a pure mistake—this delivery of iron worth  $5\frac{3}{4}$  cents and charging therefor  $8\frac{1}{4}$  cents! But it is exceedingly difficult to see how such a mistake could have been made, when it appears that, for the purpose of filling this requisition, they expressly ordered C No. 1 iron of a firm in Pennsylvania, and directed it to be sent to the navy yard. The excuse given by the navy agent is, in substance, that he approved the bill without in fact knowing anything about it; but, to use his own expression, "was under the impression that it was best flange iron"—the 81/4 cents a pound iron.

Question 10. Do you know of any other instance showing this habit of Smith Brothers & Co. and the navy agent to make mistakes in their accounts against

the government?

Answer. Yes; there were overcharges on three other articles in this same bill in which the flange iron was charged. Drill braces were charged in this bill at \$4 50 each; they could have been procured at \$3 75 each. Commodore Missroon objected to the price, which induced Smith Brothers & Co. to reduce the braces to \$4 25 each, and they gave as an excuse for the first charge that, since the bill was made out, they had "found new facilities for procuring these braces;" but it is to be observed that they proposed no reduction until they were called to an account for the overcharge. This bill contained a charge for three-penny fine finishing nails, whereas a common and lower-priced article was furnished. Their excuse was, that they first furnished three-penny fine finishing nails, and afterwards took them back, but made one of their mistakes, and did not reduce the price to correspond with the change of quality. Copper tacks were overcharged, and when the price was objected to a reduction was made.

In brief, in this one bill of Smith Brothers & Co.—purchased and fully approved by the navy agent—there are four different articles charged at prices so exorbitant that they felt impelled to reduce them when objection was raised against them. And in two of the cases the charges were for different and higher-priced articles than were actually delivered. Smith Brothers & Co. are full of excuses after the overcharges are found out, but there appeared no offer on their part to rectify what they call mistakes until these overcharges were detected by an officer of the government and brought against them. The bill, as originally rendered by them, was for \$2,642-75, and reduced by them \$427-42, or about twenty per cent.

Question 11. Can you give any other instances of purchases by navy agents

where there has been this apparent attempt to defraud the government?

Answer. Yes, in the case of Pippey & Co., of Boston. The inspector of ordnance at Boston made a requisition upon the navy agent for "best Italian hemp." On this requisition the navy agent procured of B. Y. Pippey & Co. a different and far inferior article of jute, not worth half the price of the hemp called for; but the bill came from the navy agent approved for the best quality of hemp. When the navy agent and Pippey & Co. were informed that the jute would not be received, they took it back and furnished the proper article.

Question 12. Is this manner of doing business on the part of navy agents

practiced in the matter of Banca tin?

Answer. Yes, upwards of \$100,000 worth of tin has been purchased since the rebellion by different navy agents, and the bills made out by the contractors and approved by the navy agents as Banca tin, whereas Banca tin has been in no case procured by the navy agent, but, in place of it, what is called Straits tin, an article from six to seven cents lower than Banca tin per pound; so that, in this one article alone, the government has been defrauded of at least \$10,000.

Question 13. Do you give these as the only cases that have occurred or come to your knowledge of the government's being defrauded by purchases through

navy agents?

Answer. These are only specimen cases which happened to be more particularly impressed on my mind than others that have come to the knowledge of the bureau; but as far as my knowledge and experience go, they are fair illustrations of the manner supplies are furnished through the navy agents.

Question 14. In your opinion, then, the system of purchasing supplies through navy agencies, as at present established, affords no protection to the government,

either as to quality or price?

Answer. Not the slightest. The navy agents are for the most part ignorent of the nature of the articles to be purchased by them, and therefore entirely unfit to comply with the regulation that requires them to procure articles of the proper quality; and, in fact, for the most part, they ignore this portion of their duties. Not only this, but the navy agents are almost invariably found acting on the side of the contractor in his efforts to get poor articles accepted by the government. The same is true of price. There is in this the same ignorance and recklessness, and the same identity of interest with the contractor. Here lies the great defect of the system: the interest of the navy agent becomes linked with that of the contractor, and in this particular I first became aware of the frauds committed on the government in a purchase of copper. My habit has been to telegraph all around the country for any supply of any ordnance article we required, to dealers, men of reputation and standing in the country. On the reception of their replies and prices for the brand of the article required for delivery, I have always, with one or two exceptions, sent these proposals to the navy agent at the point where the delivery was to be made, informing him that in case he could not purchase the material at a less price than the lowest bid, to buy from the lowest bidder; and, I believe, in no single instance has there been a case where the navy agent did not buy the article for less. Reflecting about this matter, I went to New York and saw one of the most respectable firms there with regard to metal supplies. They told me that they would have no further dealings with the government, as they were convinced there was fraud. I asked their reasons, and they told me that on the previous Saturday 30,000 pounds of copper had been purchased for the New York yard at 313 cents, which they had sold for 32 cents cash to the same party who delivered it at the yard. I then issued an order that every article of metal supplies should be weighed, gauged, measured, and marked, in the presence of the inspector of ordnance. Upon that we discovered that the contractors refused to deliver; and, pursuing the investigation further, we discovered that several of the men who procured most of the supplies for the Navy Department, and particularly for the ordnance, had bribed the receivers, or attempted to bribe them; upon which charges and affidavits were made, a court-martial held, and one of the men convicted.

By Mr. Hale:

Question. In your answer to the sixth interrogatory yourefer to Gilman's bill. What was that?

Rep. No. 99——14

Answer. For chemical stores furnished for pyrotechny at Washington, and I refused to pay the bill.

Question. By whom were the articles bought?

Answer. By us, through the navy agent.

Question. When was it?

Answer. Last September, or October, I think.

Question. Have you got the bill? Answer. I have not got it with me.

Question. What was the excess of price?

Answer. I reduced the bill about 20 per cent., I think. He charged 30 per cent., and gave as his reason that chemical stores had gone up enormously in the market, as they had; but yet it was too large.

Question. You refer also to a case of a purchase of copper. Can you give any

particular instance of that, and where and when it was?

Answer. We wanted 500,000 pounds of copper here at the Washington navy yard. I sent to the navy agent, Mr. Brown, and he sent to me a Mr. Savage, a party now in Fort Lafayette. Mr. Savage told me that he owned 300,000 pounds of Minnesota copper, the article we required for gun metal. I had had some previous correspondence with the large dealers and owners of this mine in New York, and wishing to make sure whether Mr. Savage had this copper on hand, (as he told me, in the presence of Mr. Brown, that he had the receipts for it,) I went on that night to New York, telegraphing the different brokers that I should meet them on Sunday morning. I there met them, and they assured me that they had not ever sold a pound of Minnesota copper, nor had there been a pound sold in the market, to Mr. Savage; and they sold the copper to the bureau for 12 per cent. less than it was offered by Mr. Savage, who did not own a pound of it, but who telegraphed these brokers that he wished to get possession of it, after he had assured me that he held it in his possession.

Question. Did Brown make any representations as to how it could be had?

Answer. When I returned I brought papers and certificates from these people in New York who owned the copper, stating that this man Savage had told a falsehood, and I presented those papers to Mr. Brown, and cautioned him against Mr. Savage; but Mr. Brown told me he believed him to be a thoroughly honest.

man.

Question. Did Brown make any representations of his own except to send you Savage?

Answer. He only sent Mr. Savage to me as the man who had possession of

the copper, and recommended the bureau to take it.

Question. You have said that in many instances you found that you could buy copper cheaper through the dealers than through the navy agents. Will

you mention any instance of that kind?

Answer. There was a very long correspondence with all the great dealers in copper and metals and the bureau, which has been presented to Mr. Sedgwick, and also, I believe, to one of the committees of Congress. Phelps, Dodge & Co., of New York, Hyneman & Co., Caswell & Co., and the Revere Company, of Boston, and the Baltimore Company, all proposed to the bureau to furnish the metals we required cheaper than they could be furnished by the navy agents.

Question. Was that the term of the offer? Answer. Not in those words, but in figures.

Question. Had you offers from the navy agents in all those cases to compare

with the offers those parties made?

Answer. Yes. As I have already stated, whenever we want a supply of material we telegraph to all the dealers, and then their replies come back. There can be no collusion, it is so rapid. We present all these proposals—these bids for copper—to the navy agent in the city where it is required, and we say, "If you can buy this for less than the lowest bid, do so;" and, as I repeat, there

never to my knowledge has been an instance where they have not bought for less; but that was owing to false weights and measures.

Question. State a single instance in which you have had an offer to sell

cheaper by a dealer than the price given you by the navy agent.

Answer. I do not remember the parties just now, but we have had multitudes of such instances, not only in regard to copper and metals, but in regard to lumber and other articles.

Question. How do you account for the fact that you bought cheaper of the dealers than the navy agents could purchase for, when the dealers offered the article at a higher price than the navy agents?

Answer. I attribute it to the fact that the navy agents were surrounded by

fraudulent persons.

Question. Will you mention any navy agent who has been guilty of the fraud

of receiving short weight to your knowledge?

Answer. I never knew of one. I do not implicate the navy agent. It is only the agents of the navy agents, the men with whom they do business. The navy agent does not give receipts for weights or measures; he only certifies to the bill. The people in the yard give the receipts, and they are bribed by these agents of the navy agent.

Question. Do you know anything about the prices in the list you have sub-

mitted, dated July 15, 1862, except as they are represented by Kimball?

Answer. I do not personally. I assume it to be correct as drawn from the prices current, and the ruling prices in Boston. I do not know anything about it personally.

Question. Do you know anything about it except from what you get from

the paper itself?

Answer. I know it from the paper.

Question. Did you ever examine the prices current to see if it was correct? Answer. I did. The prices were compared with the price current list of date between the 1st and the 14th of July, 1862.

Question. Did you compare it yourself?

Answer. I looked over it with our bookkeeper clerk. Question. In what paper was the list published?

Answer. The New York Commercial, I think, but I am not certain of that. Question. Did you find the prices all exactly as they are stated here, or were

there any variances?

Answer. We found that the whole thing corresponded to these prices which are named, and Commodore Missroon wrote me that he went over them very carefully himself.

Question. Have you preserved that paper?

Answer. We have not. We have only preserved files from the 1st day of January, 1863. I tried to find it yesterday again, but could not do it.

Question. What do you know of false weights and measures having been re-

ceived, in any article, at the Kittery navy yard?

Answer. I do not know of a single article that has been received in the Kittery navy yard where any false weight or measure was charged. On the contrary, so far as I have seen, I believe the navy agent there pays as close and scrupulous attention to his business as a man possibly can do.

Question. Do you know of any false weights and measures having been re-

ceived at the Charlestown yard? Speak of your knowledge.

Answer. My knowledge of it is that there was an attempt to bribe one of the clerks in the ordnance department, under Commodore Missroon, to receive a certain quantity of copper and give a receipt for a much larger quantity. All that evidence was before the court-martial in Philadelphia which tried the individual and convicted him.

Question. Have you any other knowledge as to the Charlestown yard?

Answer. No.

Question. Where do you get your knowledge as to an attempt to bribe that clerk?

Answer. From the evidence before the court-martial. I was one of the chief witnesses. Affidavits were presented there from various parties in regard to it. I had no knowledge of it except from the evidence there.

Question. Do you know of any frauds attempted or perpetrated by the navy

agent at Charlestown?

Answer. Never.

Question. How in regard to the New York navy agent?

Answer. I never heard anything of the sort of him.

Question. What do you say of the navy agent at Philadelphia?

Answer. I know of nothing of the kind against him.

Question. And the navy agent at Washington?

Answer. I know of no fraud on his part.

Question. In your answer to the eighth interrogatory you say that, in your opinion, none of the agents pay the slightest attention to a certain regulation; that the approval of bills by them is a dead form, and not the least reliability is to be attached to it. Do you know of any facts to authorize that opinion?

Answer. I have given the facts in the succeeding answer, showing that the navy agent approved bills of Smith Brothers & Co. for an article that he knew nothing about; and it is very common for navy agents or their clerks to go to the ordnance department and inquire where and how they shall get a certain requisition.

Question. Are the facts you have stated the only grounds you have for the

opinion you have given here?

Answer. Yes.

Question. Do you mean to say that your opinion is that they might deliver hog's lard on an order for iron and get the bill approved?

Answer. I believe the agents of the navy agent could.

Question. You say that navy agents pay not the slightest attention to the regulation, and you have every reason to believe that under an order from the navy agent for iron, hog's lard might be delivered, and the contractor could procure an approval of the bill from the navy agent as for iron?

Answer. That is my opinion, and the proof of it is that those men who have been now consigned to Fort Lafayette, we believe to have filled a requisition for tin with lead, and charged it tin. As to the other bureaus, in oils, etc., it

is too glaring to make any contradiction.

Question. Do you know whether or not grosser frauds have been perpetrated

on the bureaus here than any ever perpetrated on navy agents?

Answer. I do not know of any frauds having been perpetrated on the chiefs

of bureaus at all. There have been none that I have heard of.

Question. In answer to the ninth interrogatory you made a statement about boiler iron. Do you make that statement on your own knowledge, or on representations?

Answer. From the official representations made by the inspector of ordnance in Boston, and the correspondence between the navy agent, Mr. Smith, and

the bureau. It is all an official record.

Question. Did the correspondence of Smith Brothers & Company admit this fact?

Answer. Yes, sir.

Question. Do you know the fact about the finishing nails which you have stated, of your own knowledge?

Answer. They all came officially represented from the inspector of ordnance

at Boston.

Question. Was there any correspondence of Smith acknowledging that fact?

Answer. I think there was.

Question. In your answer to the twelfth interrogatory you state that there was \$100,000 worth of tin called Straits tin furnished for Banca tin and charged as Banca tin. Do you know of your knowledge whether Smith Brothers & Company ever delivered any tin for Banca tin that was not?

Answer. I have every reason to believe that they never delivered one single pound of Banca tin, although in one bill they charged Banca tin and delivered

Straits tin.

Question. What bill was that?

Answer. I can give you the date of it, if I get at the correspondence. I do not remember the precise date now.

Question. Do you know the facts stated in your answer to the thirteenth in-

terrogatory, of your own personal knowledge?

Answer. No; I got them officially from the inspector of the Boston navy yard. Question. Were these interrogatories submitted to you some time ago by the Navy Department?

Answer. They were not submitted to me by the Navy Department.

Question. You have seen them?

Answer. Yes, sir.

Question. Where did you see them?

Answer. I prepared them myself, because I was told by the Navy Department that I should be sworn.

Question. Did you prepare your answers to them in writing before you came here?

Answer. Yes, after having full knowledge of the facts, and after going over the whole business.

Question. Have you ever made a contract for shot and shell, or either of them, with a man by the name of Knapp?

Answer. Yes, with the Fort Pitt foundry—great quantities.

Question. At how much per pound?

Answer. Four and one-half cents has been the highest we have ever paid.

Question. What is the cheapest?

Answer. We have had them as low as three and three-fourths cents. In all contracts for guns we give one hundred shot for each gun that is made. That is to save the risk of the loss of a gun. From persons who make shot and shell outside of a cannon foundry, we generally get them at about a quarter of a cent a pound less.

Question. Do you know anybody that had any interest in this contract of

Knapp, except the company of which he was the agent?

Answer. I do not, although it appeared before the Joint Committee on the Conduct of the War that Major Rodman, of the army, is part owner of a patent for making guns cast hollow. I do not know anything of it of my own knowledge.

Question. Do you know whether anybody assisted Knapp in procuring these

contracts?

Answer. I never heard of anybody. It was the only foundry in the country when the war broke out, except Alger's, where we could get guns from.

Question. I am not speaking of that, but of shot and shell.

Answer. They never had more than one hundred per gun—the same as all other foundries; but we have had shot and shell made by fifty different people throughout the country.

Question. Some that were not gunmakers?

Answer. A great number that were not gunmakers. Question. Who solicited any contract for Knapp?

Answer. There never has been any solicitation from the Fort Pitt foundry to our bureau.

Question. Nor by anybody in their behalf?

Answer. Never. They employ no agents. Most of the other foundries have

agents.

Question. Has there ever been a contract of that sort with Knapp & Company, or with anybody else, in which the price paid was more than the first price asked?

Answer. Never in our bureau. We have raised the price for guns, but never shot or shell. There is no risk in shot or shell; it is only in guns.

Question. Have those who made shot and shell ever submitted proposals of

what they would furnish them for ?

• Answer. Yes, great numbers of people propose; we get proposals three or four times a week.

Question. Have the Fort Pitt Company, through Knapp, made proposals?

Answer. Not for shot or shell. In our business with them, whenever we give an order for guns, we give an order for one hundred shot per gun; but they have never proposed unsolicited. We frequently ask what they will furnish a certain article for, but they never propose themselves.

Question. Have they ever been paid a higher price than the price they first

asked for shot or shell?

Answer. Never by our bureau; nor do I know that they have by any other.

Question. How is it with the Builder's foundry, at Providence?

Answer. We pay precisely the same to the Builder's foundry that we do to the Fort Pitt foundry and all others. There is no difference whatever in the price. They all receive the same price.

Question. Have there been proposals received from them?

Answer. Yes. There have been some within a year, both for small shot—what we call grape shot and canister—and also for large shot; repeated proposals.

Question. Have there been, also, from the Fort Pitt Company within a year?

Answer. No.

Question. No offer in writing?

Answer. No, nor in any other way.

Question. Have you ever attempted, as chief of the Bureau of Ordnance, to supersede the action of the navy agent at Charlestown altogether, and to make Missroon the purchasing agent?

Answer. I have not.

Question. You have given no order, written no letter of that sort?

Answer. Not altogether. In some points where I thought we should take the business in our own hands, I have had the bids opened at the inspector's office, instead of at the navy agent's office.

Question. State to what extent that has been done.

Answer. I think on not more than two occasions, in opening bids; but in several instances the bureau has bought direct ordnance matters and sent the bills to the navy agent.

Question. Do you consider that a legitimate way of doing business?

Answer. I do.

Question. For the bureau to make purchases and fix prices, and send the bills to the navy agent?

Answer. The prices are fixed, also, by the parties that we get the articles

from. The bureau does not entirely fix them.

Question. Do you know anything about cases in which the bureaus have purchased at exorbitant prices, and where the navy agent has refused to pay for the reason that they were exorbitant?

Answer. I do not know of any such case in our bureau. I have heard of such cases in other bureaus, but never in the Bureau of Ordnance since I have been

there.

Question. Do you consider it the duty of the navy agent to pay for articles that he has had no agency in fixing the price of?

Answer. It is my opinion that he should pay for whatever is delivered on

proper vouchers. He is not responsible.

Question. Do you say he is not responsible?

Answer. He is not if the bureau or the Navy Department indorses it.

Question. Do you know that the navy agent's accounts have been suspended at the treasury on account of high prices in cases of purchases ordered by bureaus?

Answer. I do not.

Question. And never heard of such a thing?

Answer. I never heard of such a case.

Question. Is there any law or regulation making the inspector a purchasing agent?

Answer. I do not know that there is.

Question. Do you not know that there is a law forbidding it?

Answer. I do not. [The act of March 3, 1809, is handed to witness.] This is the law and it seems to prohibit it; but the inspector does not purchase; the bureau purchases.

Question. Why were the bids to be opened by the inspector of ordnance at

the navy yard, instead of by the navy agent?

Answer. I was governed, in giving the instructions, by a pamphlet presented by Smith Brothers & Co. to the Navy Department, urging upon them not to put it in the way of any one where the proposals might be opened or tampered with; and therefore the instructions were to have them all sealed and to be opened at a certain hour on a certain day, and everybody to be present to see that their own seals were intact. This only took place in two instances. When the navy agent objected to it, they were sent then, sealed in a packet, to him, or sent to the bureau.

Question. Have you ever directed Missroon, or any officer of the ordnance

department there, to make purchases?

Answer. Yes; and to state from whom they were, and what the prices were in the market, and everything in regard to them, and then we would approve the bills at the bureau; and if the navy agent objected to paying them, we paid them from the bureau. This all comes under the law which exempts the Bureau of Ordnance from making purchases for ordnance through the navy agent. The law of March 3, 1845, exempts "ordnance" from the operation of the act of March 3, 1843, requiring all material for the navy to be furnished by the lowest bidder under advertisement.

Question. What do you include under the head of "ordnance?"

Answer. Everything that pertains to the land and sea service of guns, and supplies for ordnance. The authorities are in every military dictionary, every standard work, either French, English, German, or American.

Question. Your definition comes right back to "ordnance" again.

Answer. It includes everything that pertains to the fitting out of armaments of ships and for the land service.

Question. Does it include provisions?

Answer. No, sir; we do not supply provisions. We supply cannon, carriages, and all the material which forms them; the timber which makes the carriage, the bolts, &c.

Question. State the specific articles to which it applies, in your judgment.
Answer. It applies to guns, gun-carriages, and all the supplies required to construct and manufacture them.

Question. Does it include ammunition?

Answer. Yes, sir.

Question. Gunpowder?

Answer. Yes, sir.

Question. Have your open purchases, made outside of the navy agent, been

confined strictly to articles coming within the definition of ordnance?

Answer. Yes, sir. Stationery we get from the Navy Department, and we generally get a thousand dollars a year for foreign postage and all sorts of little things.

### WASHINGTON, May 21, 1864.

SIR: I am surprised at the testimony which I have seen to-day, with the committee, of Captain Wise, as to sales by us of boiler iron and tin especially, and a few articles of trifling value and quantity.

As to the matter of the boiler iron, I placed on evidence a copy of the entire correspondence concerning it, printed by Smith Brothers & Co., for their satis-

Had the witness stated the explanation we gave of the mistake, (rather than cast a gratuitous insinuation upon it,) the evidence would have been more pertinent, and we would ask no other record in our favor. It should therefore be repeated in this connexion, as follows:

First. A full explanation is on record with the bureau that said overcharge was a mistake, and that the representative of the bureau, in the original trans-

action, admitted his belief that no wrong was intended.\*

The notification of the mistake above mentioned was by myself, prior to any objection as to price on the part of the inspector. The witness further states that the discount on the bill of \$2,642 75 was...... \$427 42 Of this amount the difference on the iron was....

18 27 being the amount on other items debated.

I have never before heard of any distrust of the "naturalness" of the mis-

Secondly. Captain Wise applies the same insinuation as to an exchange of 3-penny nails for 3-penny finishing nails—a mistake frequent in the hardware trade, and attributable to a clerk or cartman, as has been stated and can be

proven.

Thirdly. Evidence as to sales of Banca tin. Annexed is a statement which will dispose of the matter. It will be seen therefrom that so far from the bureau having been wronged in the delivery of Straits tin for Banca tin, it has required for its use "pig," "block," and "Straits" tin; and this upon our suggestion originally for economy.

From the exhibit of sales of tin by us, it will be seen, also, that the difference . in the price of Straits and Banca was not 6 to 7 cents, but two cents per pound.

"From the time the plate iron for ordnance was ordered, we were constantly receiving

flange iron from the same parties for other departments

"In the absence of the writer, who conducts entirely the iron business of our firm, the iron for ordnance was invoiced at 84 cents, upon the supposition that it was of the same quality as other in the shipment, and as the large quantities previously delivered.

The explanation of this mistake, from S. B. & Co., as placed with the bareau by the navy agent, was substantially as follows:

<sup>&</sup>quot;Nineteen-twentieths of the large quantity of plate iron we have delivered to government have been flange iron.

<sup>&</sup>quot;Subsequently, among vouchers at the Ordnance Office, a set was observed by the writer which included the iron above mentioned. He was not until then aware that it had been invoiced Instantly it was stated that the iron was priced as best flange, the above explanation being made; and notice of the mistake was also given at once to the navy agent."

As to quality, one is precisely as good as the other for all brass and composition

castings.

It is remarkable that no more unfavorable testimony could be supplied, considering our transactions with the bureau have been not less than a quarter of a million of dollars.

I respectfully request that this paper may follow the testimony of Captain

Wise upon the record; and

I remain your obedient servant,

FRANKLIN W. SMITH.

Hon. JOHN P. HALE,

Chairman of the Senate Select Committee on Naval Affairs.

Statement as to sales of block tin by Smith Brothers & Co. to the Ordnance department, Charlestown yard, since April 1, 1862.

Some time prior to the above date F. W. Smith suggested to Captain Green, ordnance inspector, that for all foundry purposes Revelly or Straits tin was precisely as good as government Banca tin; that the master founder had so admitted, and therefore, by the use of the former, about two cents per pound might be saved to the government. Mr. Smith had no motive but for the benefit of the government, as he could have as well sold the one as the other. The suggestion was accepted, and it was understood that thenceforward Smith Brothers & Co. should be informed whether tin was wanted for foundry purposes or for solder.

Smith Brothers & Co. were so informed afterwards, and furnished always Revelly or Straits block tin upon requisitions, except when notified that tin was

wanted for solder, when government Banca was supplied.

When Revelly or Straits tin has been supplied it has been invoiced simply as B. tin, or block tin. Banca tin has been invoiced as Banca tin. The price

has always been according to the brand.

When a quantity like half a ton or upwards has been required, it has been known that it was for the foundry, and Revelly or Straits tin has been supplied. Mr. Blake, of Henry N. Hooper & Co., recently stated that they used indifferently those brands in the manufacture of the finest brass cannon.

The original requisitions of the ordnance officer are conclusive proof that he understood that Revelly or Straits was to be supplied, as it is sometimes for Banca, sometimes for pig, block, Straits, as may be seen from the statemen annexed.

# Sales of block tin by Smith Brothers & Co.

Requisition 289, October 7, 1862.—6 pigs block tin.—Invoiced 424 pounds block tin, at 39 cents, October 14. As the Ordnance bureau accepts prices current as authority, we add that the quotation therefrom was, October 29, 1862, Banca, 40 to 41 cents; Straits, 38½ to 39 cents. These quotations, of course, are for net cash, in large quantities, not delivered.

Requisition 281. October 29, 1862.—1 ton Banca tin.—Invoiced November 6 2,475 pounds B. or block tin, at 40 cents. Price is plainly for Straits, the

quotation for Banca the same date being 40 to 41 cents, as above stated.

Requisition 384.—450 pounds Banca tin.—Mr. Smith was advised that this was wanted for solder in making tanks, and supplied 504\frac{3}{4} pounds government Banca, at 56 cents, on the 16th of May, as can be proved. It was invoiced "Banca." Quotation May 9, Banca, 54 to 55 cents; Straits, 50 to 51 cents.

Advertisement, August, 1863.—10,000 pounds tin, Straits, pig.—Invoiced by Smith Brothers & Co. at 10,019 pounds B. or block tin, at  $40\frac{86}{100}$  cents.

June 5, 1863.—Ordnance required 2,000 pounds pig tin.

Thus above are requisitions for block, Banca, Straits, and pig, when Revelly or Straits was wanted.

#### A. B. FARWELL recalled and examined.

MAY 31, 1864.

By Mr. Doolittle:

Question. Look at these papers. What do you call them?

Answer. These are the bids of Joseph L. Savage for the Brooklyn navy yard, under the advertisement of February 13, 1863.

Question. When were they put in? Answer. On the morning of the 12th of March, I think.

Question. Do you remember when these particular bids were put in? They are in one bundle together.

Answer. I remember that Mr. Savage put in all his bids on the morning of the opening.

Question. In what shape were the bids?

Answer. They were in an envelope, marked on the back "Proposals for materials for the navy—Bureau of Construction."

Question. And mentioning the particular yards?

Answer. No, sir.

Question. Do these bids contain proposals for different yards? Answer. No; they are all for one yard—the Brooklyn yard.

Question. Look at the certificate, or guarantee, at the end of the bids; it is a guarantee of C. W. Scofield, of New York, and R. C. Johnson, of Washington, guaranteeing the execution of the bids. Did that guarantee come in with the bids as part of them?

Answer. Yes, sir; that always accompanies the bids.

Question. Then there is a certificate of S. P. Brown, navy agent at Washington, certifying that Scofield and Johnson are men of property, and able to make good their guarantee, and dated March 13, 1863?

Answer. That certificate accompanies the bids; my recollection was that the day of the opening was the 12th of March; but if that certificate is dated the

13th, it must have been later.

Question. Looking to the bid for class 41, glass, I notice alterations of the first figures in a darker kind of ink, and apparently the same kind of ink in which Mr. Savage's name is signed at the bottom. Look at the guarantee and see if the name of Joseph L. Savage, in two places, and the names of Scofield and Johnson, and the signatures of Scofield and Johnson, dated Washington, March 12, 1863, are not all in a different kind of ink from the body of the guarantee?

Answer. They are.

Question. And is not the whole of the certificate at the bottom signed by S. P. Brown as navy agent, and dated March 13, 1863, written in a different ink and a different handwriting?

Answer. It is.

Question. According to your recollection, was it the 13th of March, 1863, that

the opening took place?

Answer. It must have been March 13. My recollection was that it was the 12th, because I was thinking that it was one day earlier in March than the advertisement was dated in February.

Question. Do I understand you to say, that you remember Mr. Savage coming in with his bids on the morning of the opening?

Answer. Yes, sir; I do.

Question. In relation to Stover's putting in his bids, how was it with him? Did he send them by mail, or bring them there?

Answer. They were always brought there by himself or by Mr. Ainsworth

Brown, his chief clerk, on the morning of the opening.

Question. Your best recollection is that the opening was made on the morning

of the 13th of March?

Answer. I know it was made on the 12th or 13th. The law requires an advertisement for four weeks, and we always open just as quick as we can after giving the notice. The fact that these bids were guaranteed on the 13th would show that they had not been handed in up to that time. Three-fourths or more than three-fourths of all the bids are brought in on the morning of the opening, and deliverd to the chiefs in the presence of the clerks and bidders. This last time there were only four or five out of a hundred received by mail.

### By Mr. Hale:

Question. Do you mean at the opening of March 13, 1863?

Answer. No; but more recently. Indeed, it has been pretty much so ever since the order was given to open them in public; since that time the bidders have brought their bids with them, generally.

### By Mr. Doolittle:

Question. Turn to the bid of Savage for class 41, glass, and state what was the estimate made on the part of the yard for the articles required and adver-

tised for in that class.

Answer. For the 150 lights the estimate was nine cents a light, the price bid was fourteen cents; for 100 lights the estimate was ten cents, the bid sixteen cents; for 75 lights the estimate was ten cents, the bid sixteen cents; for 25 lights the estimate was twelve cents, the bid twenty cents; for 25 lights the estimate was ten cents, the bid twenty cents; for 25 lights the estimate was twelve cents, the bid twenty cents; for 37 lights the estimate was fourteen cents, the bid twenty cents; for 50 lights the estimate was eighteen cents, the bid twenty-five cents; for 25 lights the estimate was twenty-four cents, the bid twenty-five cents; for 25 lights the estimate was thirty-seven cents, the bid thirty cents; for 20 lights the estimate was fifteen cents, the bid fifty cents; for 24 magazine lenses the estimate was seven dollars, the bid twenty dollars; for 10 deck lights the estimate was seventy-five cents, the bid one dollar; for 10 additional deck lights the estimate was ten cents, the bid sixty cents; for 50 dozen hexagon deck lights the estimate was twelve dollars a dozen, the bid seventeen dollars and fifty cents. The aggregate of the estimate was \$863 43; the aggregate of the bid, \$1,478 65.

Question When was that estimate made?

Answer. January 19, 1863.

Question. The bid was put in on the 13th of March. How much general advance had there been, on the average, in prices between the 19th of January and the 13th of March?

Answer. I can only say that comparing bills which were paid on the 19th of January with bills for the same articles on the 21st of March, there was an increase of over thirty per cent. in the market price.

# By Mr. Buckalew:

Question. What articles?

Answer. Several articles that were purchased under these contracts. Question. Do you know that they were the articles mentioned in this bid?

Answer. Yes, sir; some of the lights that were purchased at the Brooklyn yard in open market advanced thirty per cent. in price between the time the order was made and the time we entered into the contracts, and called on the contractors to deliver.

By Mr. Doolittle:

Question. In relation to the hexagon deck lights, three inch, the bid, as it was written in the original handwriting, seems to have been put in figures at \$7 50, does it not?

Answer. Yes, sir.

Question. And when there was an alteration made in another ink there seems to have been ten dollars added, per dozen, by putting the figure 1 before 7, so as to make it \$17 50?

Answer. Yes, sir.

Question. Do I understand you to say that the estimate was made on the 19th of January at \$12 a dozen?

Answer. It was.

Question. But when the bid was put in on the 13th of March it was put in at \$17 50 a dozen?

Answer. That was the way it was put in.

Question. How much would an advance of thirty per cent. on \$12 have carried

the price to?

Answer. It would have carried it up to \$15 60, so that the bid was \$1 90 per dozen more than the market value. There is only one correction, except a mistake of seventy-five cents, which seems to have been made at the opening, and that was in the carrying out of the bid for magazine lenses; that correction was made by Mr. Lenthall at the time, in the margin, with a red pencil mark. Under that same advertisement, where we failed to furnish parties with a contract for execution within ten days, as we always contemplate doing, some of them declined to go into the contract on the ground that the articles had so increased in price that they could not do it. I do not now remember the names of those parties, but I think there were three who refused to make contracts, and my recollection is that one of them was a Mr. Paul J. Field, of Philadelphia. The reason they gave was, that they had made an agreement with deal is to deliver them articles at the end of ten days, but when the ten days expired the articles had so gone up that parties with whom they had arranged declined to comply with their agreement, and they were off.

Question. How did it happen that they were not notified during the ten days? Answer. There was a great press of business, and there were so many arrears to attend to, that we could not get it done. The last time it was nearly ten

days before we were through.

By Mr. Hale:

Question. State how Savage's bid for class 41 at the Brooklyn yard appeared

to be footed up in figures, and written out when it was handed in.

Answer. It was written out five hundred and thirty-seven dollars and ninety cents. It was footed up in figures in ink \$537 90, and then there is a pencil mark in front of the figure five; whether it was put in there at the time I do not know.

Question. State when you first saw Savage on the morning of the opening of these bids, and under what circumstances?

Answer. The first I saw of him was that he came into my room at the office with his bids.

Question. At what time?

Answer. I am not in the habit of getting there until nine o'clock. I cannot tell at what precise time it was, but it was between nine and ten o'clock, because we commenced the opening at ten o'clock.

Question. He came with his bids?

Answer. Yes, sir.

Question. What did he say?

Answer. He said, "I have brought in my proposals," and he handed them to me, and I told him to take them into the chief, that they never came into my hands.

Question. Did you look at them enough to see what they were? In the first

place, did you take them into your hand?

Answer. No, sir.

Question. Did he lay them down before you?

Answer. No, sir. He offered to hand them to me, saying that he had his proposals.

Question. Did you look at them enough to see what they were?

Answer. I saw distinctly that they were proposals for the navy, and then I told him to take them to the chief.

Question. Did you see whether the proposals were sealed or not?

Answer. I did not.

Question. Where did he go from there?

Answer. Into Mr. Lenthall's room.

Question. How long was he in that room?

Answer. I should not be surprised if he were there two or three minutes.

Question. How long was Savage in Mr. Lenthall's room?

Answer. He staid there until the bids were opened. Question: How long was it before you went in?

Answer. I went in before ten o'clock. I probably went in very soon, because we were arranging our papers and desks for opening, going in and out every minute.

Question. Was anybody else in Mr. Lenthall's room when Savage went in? Answer. I do not remember; I only remember the fact that three or four came in that morning, and among them was Mr. Savage. Mr. Jewett came in I remember distinctly, and Ainsworth Brown, and a new man came there by the name of Sherrill, from Albany, who first put in bids that year.

Question. Have you looked at all the papers that are accessible in your

office to illustrate anything about these bids of Savage?

Answer. I have not looked at many papers; I have looked at what occurred to me this morning.

Question. Can you find any papers that give any clue to what the original

publication of the bid for class 41, Brooklyn, in the scale was?

Answer. No, sir. All I can give is the figuring here, \$1,237 85, which is on this bid, and which I presume was the figuring of the party who put it in. I know that these figures are not the figures of any clerk in our bureau.

Question. When were the figures in pencil on the left of the bid made there? Answer. I put them in there this morning; I took them from the estimate of the yard.

Question. Do you know whether Savage brought his bids for the other

bureaus that morning?

Answer. No, sir. They did not open in the other bureaus at the same time. There was only one other bureau where they had an opening on that day.

The witness continued as follows:

Subsequently Mr. Farwell submitted a further statement in explanation of his evidence, and remarks upon other evidence already given, which the committee received, and decided to report, except personal reflections upon others who had testified, which the committee deemed irrelevant and impertinent, and have erased from the statement which follows.

If the committee will allow me, I will briefly notice the analytical or fourth

pamphlet, and also the testimony of Mr. F. W. Smith, of the firm of Smith Brothers.

### Class forty-one—ash oars, at Washington.

Oars are received differently at the several yards. In some, the sample is a finished oar; in others, only a split rafter. The former are much more expensive than the latter.

The contractor at Portsmouth has asked to be relieved from his contract, as he would lose much money if compelled to fill it; hence it is a false conclusion of Mr. Smith, that the difference in the prices between the two yards (Portsmouth and Washington) is a loss to the government. First, because they are different articles; and secondly, because the loss falls upon this low contractor.

### Tools for stores at New York.

The price of jack-screws may have depended on the sample. To what extent the high price (if the value Mr. Smith gives is true) may have been reduced in other articles, making it the lowest bid, can only be told by hardware men, and Mr. Smith was not so prompt in pointing out the low prices that may have compensated.

## Zinc and tin, class thirty-one, Kittery.

The copper and the tin appear to have been the principal articles in this class, and whether Smith's statement of value is true is not known. It was awarded to the lowest bidder, and although so convenient for Mr. Smith to deliver, he did not bid. Why he declined to bid at his market rates, or at all, is best known to him, as large amounts of the articles named in this class have been purchased of him in open market.

## Glass, class forty-one, New York.

Mr. Smith does not give a price for the magazine lenses, which he regards as high, but takes the lowest bid at another place, and, with great mercantile simplicity and candor, assumes that as the market price. The committee will readily see that his statement—that the difference in the prices is a loss to the government—is not true, especially as the value of the article depends on the sample.

Smith bases his statement on the idea that it was common window glass; whereas the specifications and contract distinctly say, "double thick, first quality Baltimore glass." That was the printed specification on which bids were invited, which fact, Mr. Smith, scrupulously anxious to avoid saying too much, failed to state at all.

Mr. Smith, on page thirty-eight of his testimony, would seem to exhibit a great want of candor. Where all the bids for a given class are regarded by him as high, he fixes prices to suit himself, and states the difference to be "a loss to the government." Where he finds a class bid high for at one yard, and lower at another, than the prices fixed by him, he abandons his own prices, and assumes that the difference between the high bid at one yard, and low bid at another, "is a loss to the government."

# Hardware, at Philadelphia, class thirty-three.

Mr. Smith says the copper tacks contracted for in this class at seventy-five cents per pound are worth fifty-eight to sixty-three, when, in their own contract at Boston, made several months previous, when everything was much lower, they stand at seventy cents. The committee will thus judge whether their assumed prices are quite reliable.

## · Class twenty-five, iron, Brooklyn.

This class was awarded to the lowest bidder, and the loss to the government

will be tested by the accuracy of Mr. Smith's statement.

Iron is an article competed for by many parties. The bid of David W. Weiss was guaranteed by Joseph Tuckerman and Lucius Tuckerman, and certified by Isaac Henderson, the navy agent at New York. Beyond this nothing is known of him.

Class twenty-six, steel, Brooklyn, referred to on page fifty-nine of Smith's testimony, the steel has all been delivered, and fairness would have offset this

against his high prices.

If parties do not think it advisable to bid for articles at the yards where they reside, or elsewhere, or if they combine to induce other parties to refrain from competing, the department cannot know it, neither has it power to prevent such combinations.

Mr. Smith, in his fourth pamphlet, speaks of Stover, Scofield, Savage and Hollins, as constituting a "ring," and distinctly intimated that "extraordinary facilities" must have been afforded them to enable them to bid so successfully.

The following statement of bids shows that the classes were competed for by

two hundred and thirty-eight bidders:

One hundred and forty-four of the bids were by S. S. S. & Co., the "ring;"

ninety-four of the bids were by other parties.

The "ring" obtained twenty-three classes, being about sixteen per cent. of their number, and the other parties obtained twenty-nine classes, being more than twenty-nine per cent. of their number.

This statement and the following analysis is made to show how groundless is the imputation of "extraordinary facilities" for the "ring," made by Mr.

Smith:

Advertisement, February 13, 1863.—Kittery.—Five classes were for lumber, and were competed for only by lumber dealers. Fourteen classes were competed for by sixty-six competitors. Thirty-six of these were members of the "ring," and thirty were "outsiders." Two classes were bid for by the "ring" alone. Of the fourteen classes the "ring" obtained five, and the "outsiders" nine. Twenty-three classes.

Charlestown.—Five classes were for lumber, and were competed for by lumber dealers only. Thirteen classes were competed for by seventy competitors. Thirty-nine of this number were members of the "ring," and thirty-one were "outsiders." Of these fourteen classes the "ring" got four, and the "outsiders" got ten. One class was bid for by the "ring" only. Nineteen classes.

Brooklyn.—Ten classes were for lumber, and lumber men only competed for them. Thirteen classes were bid for by the "ring" only, and for two of these there was but a single bidder. Two classes were competed for by eight members of the "ring," and two "outsiders," and the "outsiders" got one. Twenty-five classes.

Pniladelphia.—Six classes were for lumber, and competed for only by lumber dealers. Fourteen classes were competed for by forty-four members of the "ring," and twenty-one were "outsiders." The "ring" got nine, the "out-

siders" five. Twenty classes.

Washington.—Five classes had but a single bidder. Eight classes were competed for by nineteen members of the "ring," and nine "outsiders." The "ring" got four, and the "outsiders" four. Thirteen classes.

June 1, 1864.

IRA MURDOCK recalled and examined.

By Mr. Hale:

Question. State any facts in your knowledge which tend to prove that bidders at the several bureaus of the Navy Department may have had any knowl-

edge of any bids before theirs were put in.

Answer. At the opening of the bids in the Bureau of Steam Engineering, early in the spring of 1863—I cannot give the exact date—there were bids received and accepted on the day after the bids generally had been opened and entered on the schedules, and by parties who were present at the day of the opening, the day previous. Among them I remember bids from Mr. Stover for classes at the Washington yard, in connexion with others which I cannot now call to mind. I remember, too, that he had no bids for that yard entered on the schedule on the day of the opening, and that all the bids which were deposited and accepted on the morning after were successful. I remember, too, that Mr. Neally, who had charge of the bids, threw out one or two classes on account of the prices being exorbitant. He took the responsibility to throw them out himself, for the reason that there were no other bidders for the class but Mr. Stover's.

At the two openings when I was present, but more especially the opening in June of last year, there were a large number of persons present, and every one in the room had the liberty to take the bids, after they had been opened and read, and examine them, and even to take them out of the room into an adjoining room; and I remember distinctly that Mr. Ellis, who had a bid in for two or three classes, came to me and protested against the thing being allowed, for the reason that there was a party whom he did not know in the room, who had all his bids, and was sitting at Mr. Isherwood's table with a pen in his hand, copying and examining the bids. And there were times when every person in the room had bids of their own or others in their hands, which they read and examined at their leisure.

By Mr. Doolittle:

Question. Were you in the Bureau of Steam Engineering at that time?

Answer. Yes, sir.

Question. Who was the head of that bureau then?

Answer. Mr. Isherwood.

Question. Who was present at the time those bids were opened?

Answer. I cannot name them. There were very few of them that I knew. Mr. Isherwood, Mr. Neally, and Mr. Deeble, from the Bureau of Construction, were those who officiated at the opening.

Question. Were you there also?

Answer. I was not in the room. I was in the adjoining room.

Question. You say that after the day of the opening bids from Stover, or some other parties, were received for those same contracts?

Answer. Yes, sir, from Stover, and other parties, I think.

Question. How do you know that?

Answer. Because I remember their being brought into the room and handed to Mr. Isherwood when Mr. Neally and myself were present, on the morning after.

Question. You say that those bids were given in on the day after the bids generally had been opened, and all the persons present there had seen them?

Answer. Yes, sir.

Question. Was anything said about it at the time?

Answer. There was some discussion between Mr. Isherwood and Mr. Neally at the time, as the bids had not been opened before, and finally Mr. Isherwood

handed them to Mr. Neally and told him to enter them on the schedule. I cannot say whether Mr. Isherwood opened them himself, but Mr. Neally entered them.

Question. Who made that remark—to take them, and open them, and enter

them on the schedule?

Answer. Mr. Isherwood.

Question. Was there anything said by any one there about their being re-

ceived the day after the bids were opened?

Answer. No, sir. They were brought in by a gentleman representing Mr. Stover, who took them to Mr. Isherwood, and told him there was a mistake in their not having been brought in the day before.

Question. What was that gentleman's name?

Answer. Ainsworth Brown. He was Mr. Stover's chief clerk. Question. He said there was a mistake in handing them in?

Answer. I think he gave a very good excuse, which I do not precisely remember, as to his handing them in, but I remember the discussion which arose after, as to whether they ought to be accepted or not.

Question. Between whom was that discussion? Answer. Between Mr. Neally and Mr. Isherwood. Question. State what each of them said about it.

Answer. But very few words passed. I cannot remember them.

Question. Give the substance.

Answer. I only remember that Mr. Neally asked if they should be accepted,

and Mr. Isherwood, after hesitation, said they had better be opened.

Question. You say that Brown, you think, made a remark that it was a mistake that they had not been handed in the day before. To whom did he make that remark?

Answer. I think he was addressing Mr. Isherwood.

Question. This was in the spring of 1863?

Answer. Yes, sir.

Question. Do you know where Mr. Brown is now?

Answer. I do not. It is said that he is out of the country. Question. Was Mr. Stover there on the day of the opening?

Answer. I do not think he was. I do not remember his being present.

Question. Was Mr. Brown there?

Answer. Yes, sir. I cannot state to you the discussion or remarks which occurred, for the reason that I thought nothing of the matter at the time; but Mr. Neally afterwards called my attention to the fact of their being all for the Washington yard, and being all successful bids. The idea of their being accepted as they were created some talk between Mr. Neally and myself.

Question. You were examined here once before, and you said nothing then

about this circumstance.

Answer. No, sir; and my attention was only recalled to it after reading the recent debate in the Senate between . Hale and Mr. Grimes, and by a question put to me this morning by Mr. Hale.

By Mr. Buckalew:

Question. Do I understand that the aggregates were taken down before the bids were handed to the bidders for examination?

Answer. Yes, sir, the aggregates before the corrections were made.

By Mr. Doolittle:

Question. How long were you in the Bureau of Steam Engineering?

Answer. From the time it was established until June or July last, and in the office of the engineer in chief for some three years previous.

Question. When was this bureau established?

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Answer. I think in August, 1862, the bureaus were reorganized.

Question. At the March or spring letting of 1863, of which you have spoken, were the bidders present to see the bids opened?

Answer. Yes, sir.

Question. I understood your statement on that subject to relate to the June

letting.

Answer. I stated that at the June letting there were a great number present, and the bids were more freely separated and handled from the fact that there were a great many present.

Question. Then you mean to say that bidders were present at both those lettings, but that more were present at the June letting than at the former one?

Answer. Yes, sir; but at the June letting they were very strict in regard to receiving bids, and received none after four o'clock in the afternoon of the day before the opening. There was a strict order issued in regard to them. We even took the precaution to send to the post office, at four o'clock that afternoon, and get a certificate from the postmaster that all communications had been taken from the box of the bureau—a precaution which was not taken at the former opening.

Question. Were those the only two openings while you were in the bureau?

Answer. Yes, sir.

June 2, 1864.

IRA MURDOCK recalled and examined.

By Mr. Doolittle:

Question. Since your examination, yesterday evening, has your attention been more particularly called to the transaction of which you then spoke than it was before?

Answer. Yes, sir.

Question. Was not the bureau of which Mr. Isherwood was the chief a branch of the bureau of which Mr. Lenthall was chief?

Answer. Yes, sir, and the advertising was all done by Mr. Lenthall.

Question. Was not the bureau then under Mr. Lenthall called the Bureau of Construction, Equipment and Repair? Was it not all one bureau at the time of the advertising?

Answer. I do not know whether it was or not. I only know that Mr.

Lenthall issued the advertisement for the Bureau of Steam Engineering.

Question. When the bids were put in, do you know whether some of them which were intended for the Bureau of Steam Engineering were delivered in fact to Mr. Lenthall?

Answer. I know there were some bids in Mr. Lenthall's bureau that belonged to the Bureau of Steam Engineering.

Question. They had all been under one bureau previous to that time, and the advertising was issued by Mr. Lenthall's bureau?

Answer. Yes, sir.

Question. Was that the spring opening of 1863 of which you speak, the first opening made by the Bureau of Steam Engineering, of which Mr. Isherwood was chief?

Answer. Yes, sir.

Question. Now, to come more particularly to the transaction of which you spoke in relation to the bid put in by Mr. Brown in behalf of Stover, on having your attention more particularly called to it, do you remember the mistake which Brown asserted was the reason why the bid had not been handed in to Mr. Isherwood?

Answer. I remember, since having my attention called to the fact last evening, that the claim which he made was that the bid was deposited originally in Mr. Lenthall's bureau.

Question. Did he claim that the bid had been delivered in time, delivered the

day before?

Answer. He claimed that the bid had been delivered to Mr. Lenthall's bureau, and was found among his bids at the opening, whereas it ought to have been delivered to Mr. Isherwood.

Question. When Mr. Brown came into Mr. Isherwood's bureau and saw Mr. Neally there, did not Mr. Farwell, the chief clerk of Mr. Lenthall's bureau,

come in with him?

Answer. I think Mr. Farwell was in before Mr. Brown came in.

Question. On reflection, was it not Mr. Farwell, in fact, that brought the bid

into Mr. Isherwood's bureau in his hand?

Answer. I neither saw Mr. Farwell nor Mr. Brown bring in the bid in his hand. My reason for saying that Mr. Brown brought the bid into the bureau was, that at the time my attention was called to the remarks between himself and Mr. Neally, he had in his hand what I supposed to be the bids, and which probably were. They may have been brought in to Mr. Neally or taken from Mr. Neally's desk. On reflection I cannot say positively that he brought in the bids. I only saw him with what I supposed to be the bids in his hands, at the time my attention was called.

Question. When he was arguing or talking with Mr. Neally? Answer. Yes, and I supposed he had then brought in the bids.

Question. On reflection, now, you say that you recollect Mr. Farwell coming

in before Mr. Brown?

Answer. I remember Mr. Farwell coming in two or three times with bids from his bureau, but what bids they were I do not know. I also remember that Mr. Isherwood sent me several times to Mr. Lenthall's bureau with bids which were deposited in his bureau through mistake, but were not discovered, of course, until after the envelopes were opened..

Question. When Brown was there talking with Mr. Neally had Mr. Isher-

wood come in at that time, or did he come in after that?

Answer. He came in after that, and I think Mr. Farwell was in the room at that time.

Question. When Mr. Brown was arguing this matter about receiving the bids with Mr. Neally, what did Mr. Neally say? Did Mr. Neally object to receiving them?

Answer. He made objection to receiving them without reference to Mr.

Isherwood.

Question. What did Mr. Isherwood say?

Answer. I do not remember anything that Mr. Isherwood did say. I think the conversation occurred in his own room. I cannot call to mind any talk

between Mr. Isherwood and Mr. Neally.

Question. In this matter of arguing with Mr. Neally and Mr. Isherwood about the propriety of receiving the bids, did not this man Brown say that they were put in in time in Mr. Lenthall's bureau, and he was not to blame for that mistake?

Answer. He said they were deposited with his other bids in Mr. Lenthall's

bureau.

Question. And that it was such a mistake as that they ought not to exclude his bids for that reason?

Answer. Yes.

Question. You do not remember what remark Mr. Isherwood made about it? Answer. I do not.

June 2, 1864.

B. F. ISHERWOOD recalled and examined.

By Mr. Doolittle:

Question. Do you remember the occasion of a bid being brought into your office the next morning after you commenced your opening, which was alleged

to have been filed with Mr. Lenthall—a bid for Mr. Stover?

Answer. I have a very indistinct recollection of Mr. Farwell bringing some bid to me. Whether it was Mr. Stover's bid, or whose it was, I cannot now say. It has passed from my mind. I have been endeavoring to recollect the name, but I cannot. I know that he brought some bid that had been sent to their bureau with other bids, and upon opening it, they finding that it belonged to my bureau, he brought it in to me. That was in my own office.

Question. Do you remember that there was some question or some discussion with any person as to whether a certain bid should be or should not be received

by you, between Mr. Neally and yourself, or some person?

Answer. I do not recollect now whether any such discussion took place or not; but the simple fact would have been to ascertain whether that bid had been sent in due course of mail with other bids to the other bureau by mistake; and if it had been, there would be no question as to the propriety of receiving it; it would have been a mere mistake in its address, which was very easy to be made in view of the circumstance of the division of the bureaus.

Question. Do you know a man by the name of Ainsworth Brown?

Answer. I do not know him.

Question. Do you know Stover?

Answer. I know him by sight. He has been in my office frequently. I know him more particularly with regard to contracts for steam machinery that he executed for the government. I do not think I ever had any conversation with him.

Question. You do not call to mind the name of the person whose bid you are

speaking of as being sent to the other bureau?

Answer. No, sir. I merely recollect the general fact now of Mr. Farwell having brought in some bid from the Bureau of Construction which had been sent to that bureau by mistake, and which belonged to my bureau.

Question. Where they had already been sent in in time, on the day fixed in the advertisement, did you ever give directions to have any bid received and

scaled that was brought into the department after the day fixed?

Answer. Never. I never received any that was offered after the opening commenced, not even on the same day. When the opening once commences, when the first seal is broken, all further bids are excluded.

Question. And any bid that may have been brought into your office after the opening commenced was a bid which had been filed by mistake in some other

bureau of the department, but filed in time?

Answer. These bids that we are now referring to in these two bureaus were opened on the same day. The bids for my bureau were comparatively few, quite insignificant compared with the others. We got through ours the first day. The other bureau took two days to open theirs, and, of course, until they did open them they could not tell to whom they belonged, nor to which branch of the bureau they ought to go.

Question. The old bureau, under the charge of Mr. Lenthall, was a bureau of

construction, steam engineering, and repairs?

Answer. All the functions that now belong to the three distinct Bureaus of Construction, Equipment, and Steam Engineering, then belonged to the Bureau of Construction alone, which was under Mr. Lenthall.

Question. Your bureau, which is the Bureau of Steam Engineering, branched

off from his bureau just about this time?

Answer. It was a sub-office of his bureau previously, and had then just been erected into an independent bureau. This was the first bidding after the separation.

Question. Who issued the advertisements for this bidding for both these

branches of the old bureau?

Answer. Mr. Lenthall issued the advertisements for that bidding. All since

have been issued by me.

Question. Were the advertisements in this bidding issued just as they had previously been, as if it was but one bureau?

Answer. Yes, sir.

June 2, 1864.

## A. B. FARWELL recalled and examined.

By Mr. Doolittle:

Question. You were chief clerk of the bureau of which Mr. Lenthall was the head at the time of the advertisement spoken of, as I understand?

Answer. Yes, sir, I was.

Question. You may state whether all the advertisements for that bidding of the early spring of 1863 were issued by your bureau, of which Mr. Lenthall was chief.

Answer. They were all issued from our bureau.

Question. Do you remember the circumstance of a certain bid that was put in by one Ainsworth Brown, in behalf of Stover, in the spring of 1863?

Answer. I remember that Mr. Ainsworth Brown brought all of Stover's bids

there at that opening.

Question. On what day did he bring the bids there?

Answer. He brought them there on the morning of the 13th of March, 1863, the morning on which the opening commenced.

Question. Before any opening had taken place?

Answer. Yes, sir.

Question. With whom were they filed?

Answer. With Mr. Lenthall.

Question. Brown acted as agent for Stover?

Answer. He said he was Mr. Stover's chief clerk.

Question. I believe you have already stated that the openings by Mr. Lenthall were made in your presence?

Answer. Yes, sir.

Question. Do you remember the opening of Stover's bids in your bureau?

Answer. I do not remember the opening of Stover's bids any more distinctly than I do the opening of others. I remember that his were opened.

Question. On the opening of those bids will you state whether you found that he had put in bids for matters which belonged to Mr. Isherwood's bureau, and

for what yard?

Answer. Yes, sir; but I do not remember the yard. I only remember that in Mr. Stover's bids we found proposals belonging to Mr. Isherwood's bureau.

Question. Can you state what was done with those bids that belonged to Mr.

Isherwood's bureau?

Answer. That bid of Mr. Stover was opened on the second day of our openings.

Question. You are sure it was filed on the first day?

Answer. Yes, sir, they were all filed together. We never took any bids into

the bureau after we commenced opening; and when those are torn off they were found to contain bids for lettered classes. Our own bids were all for figure classes, and in the other two bureaus the classes were lettered. These were torn off by Mr. Lenthall, and he ordered me to take them into Mr. Isherwood's bureau. I did so, and offered them to Mr. Neally, Mr. Isherwood's chief clerk.

Question. On which day did you take them in?

Answer. On the second day of our opening. When I got in there Mr. Neally declined to take them, saying that they had closed their opening. I said to him that Mr. Lenthall had torn them from our bids—that they belonged to his bureau. He said that, as they had got through, he would not take them, but I might hand them to Mr. Isherwood. Mr. Isherwood was then out, but he came in while I was there talking with Mr. Neally, and I handed them to him, saying "these belong to your bureau," and I immediately went out.

Question. Do you remember whether Mr. Brown went in with you or not?

Answer. My recollection is that Mr. Brown came in while I was there; he came in while I was going out of the door, and he said he was going in to see that his bids were properly scaled.

Question. Was Mr. Murdock there at the time?

Answer. Yes, sir; Mr. Murdock was sitting at what is called the engineer's desk, his back to us.

Question. State what occurred—what did Brown say on the subject?

Answer. When I started to go out of the door Brown wanted me to say to Mr. Isherwood that they had been torn from our bids, as they were. I told him that I had already said that to Mr. Isherwood, and I recollect saying to Mr. Isherwood that my opinion was that they had better be scaled, and, if they had any doubts, submit the question to the department whether they should be accepted.

Question. What did Mr. Isherwood reply to that?

Answer. I think Mr. Isherwood told Mr. Neally to scale them, and they would afterwards settle whether they ought to be received or not.

Question. I understand you to say that you carried in those bids yourself, of

Stover, and handed them to Mr. Neally?

Answer. I carried them in myself. I offered them to Mr Neally. He declined to take them, and I then handed them to Mr. Isherwood. They never went into Brown's hands until they had been in Mr. Isherwood's. There were bids of many parties torn off in the same way for Mr. Isherwood's bureau and the Bureau of Equipment.

Question. The bids came into your bureau, it would seem, just as they had formerly, before the division of the bureau; and then looking over those bids, seeing some for construction, some for engineering, and some for equipment, you separated the classes and sent them around to the different bureaus where

they properly belonged?

Answer. Yes, sir.

Question. As to this particular bid of Stover's which Brown represented, are

you positive that it was put in on the first day?

Answer. I am positive that it was put in there in the morning with all Stover's bids. They were all put in together by Mr. Brown. We never took a bid in our bureau after the openings commenced. Bids have been received at our bureau by mail arriving there the next day and have been scaled, leaving half a dozen lines between the regular scale and those that came in late, and the words "Received too late" were marked opposite to them, and they were never considered in the awarding of contracts.

June 2, 1864.

IRA MURDOCK recalled and examined.

By Mr. Doolittle:

Question. On your hearing Mr. Farwell state the facts in relation to what occurred there, does your recollection agree with his as to what he states?

Answer. Yes, sir; I should like to look at the scale of that bidding. [Scale shown to witness.] On examining the original scale, I find that Mr. Stover bid for four classes, that two were awarded to him, and on one class he was not a successful bidder. On the remaining class the bid was thrown out, there being no competitor and the price being exorbitant. On further reflection and examination of the scale, I desire to make this correction of the statement I made yesterday.

